

**TESTIMONY OF PETER A. KUHNMUENCH  
EXECUTIVE DIRECTOR  
INSURANCE INSTITUTE OF MICHIGAN  
House Insurance Committee, March 15, 2007**

**GOOD MORNING**

**MY NAME IS PETER KUHNMUENCH AND I AM THE EXECUTIVE  
DIRECTOR OF THE INSURANCE INSTITUTE OF MICHIGAN. I AM HERE  
TODAY TO VOICE OUR ORGANIZATIONS OPPOSITION TO HOUSE BILLS  
NO. 4074 AND 4149 AS BEFORE THIS COMMITTEE.**

**I HAVE PROVIDED THE COMMITTEE MEMBERS WITH A PACKET OF  
MATERIAL THAT I FEEL WILL BE HELPFUL IN THEIR EXAMINATION OF  
THIS PROPOSAL.**

**FIRST IS A DOCUMENT ENTITLED SPOTLIGHT. THIS PROVIDES A  
PARTIAL LIST OF THE MANY FACTORS THAT ARE CONSIDERED IN  
DETERMINING THE PRICE OF AN AUTOMOBILE INSURANCE POLICY.**

**FOR INSURANCE CONSUMERS, LOCATION IS IMPORTANT BECAUSE  
AUTO COVERAGE IS AFFECTED BY THE DENSITY OF TRAFFIC  
PATTERNS, THE CONDITION OF LOCAL ROADS, AND THE INCIDENT OF  
THEFT AND VANDALISM, WHICH ARE ALSO LOCATION DEPENDANT.**

**I HAVE ALSO PROVIDED A COPY OF THE 1999 STUDY CONDUCTED BY  
THE THEN ISURANCE COMMISSIONER, FRANK M. FITZGERALD, ON THE**



**EFFECTS OF PUBLIC ACT 98 OF 1996 ON AUTOMOBILE AND HOME INSURANCE PREMIUMS IN MICHIGAN. PUBLIC ACT 98 LIFTED THE TERRITORIAL RATING RESTRICTIONS WHICH WERE PUT IN PLACE AS PART OF THE PASSAGE OF THE ESSENTIAL INSURANCE ACT OF 1981.**

**I ENCOURAGE YOU TO REVIEW THE FULL REPORT AS YOU DELIBERATE THE PROPOSALS BEFORE YOU. I'LL LET YOU DRAW YOUR OWN CONCLUSIONS, BUT IN HIS REPORT, COMMISSIONER FITZGERALD CONCLUDED "THAT USING CURRENT LAW IN THIS MANNER HAS NOT LIMITED THE AVAILABLE OF INSURANCE AT A REASONABLE PRICE. UPON CAREFUL REVIEW OF THE PREMIUM DATA OF THE SURVEYED COMPANIES, IT IS APPARENT THAT A WIDE RANGE OF TERRITORIAL APPROPRIATE RATES ARE AVAILABLE TO THE CONSUMER WHO ACTIVELY COMPARES RATES OFFERED BY DIFFERENT COMPANIES."**

**ESSENTIALLY, TERRITORIAL RATING RESTRAINTS HAD A DIFFERENT CONSEQUENCE THAN INTENDED. IN ORDER TO COLLECT SUFFICIENT PREMIUM IN THE HIGH RISK AREAS TO PAY ITS CLAIMS, INSURERS WERE FORCED TO RAISE RATES IN THE LOWER RISK TERRITORIES TO MEET STATUTORILY IMPOSED PERCENTAGE STANDARDS. THIS CREATED A RATE SUBSIDY, WITH RESIDENTS OF LOWER COST TERRITORIES PAYING HIGHER RATES THAN NECESSARY TO ALLOW COMPLIANCE WITH THE LAW. SOME SMALLER COMPANIES RESPONDED TO THE SITUATION BY WITHDRAWING FROM THE HIGHER PRICE MARKETS.**



**ACTUARIAL STUDIES HAVE FOUND THAT TERRITORY IS THE MOST PREDICTIVE OF RISK.... AND SURPRIZINIGLY DRIVING RECORDS AMONG THE LEAST PREDICTIVE.**

**TERRITORIAL RATING IS CRITICAL TO COST-BASED PRICING. IT IS NOT IN THE BEST INTEREST OF CONSUMERS TO PLACE CONSTRAINTS ON TERRITORIAL RATING. SUCH LIMITATIONS WERE NOT THE ANSWER TO AVAILABILITY OR AFFORDABILITY OF INSURANCE IN THE PAST AND THEY ARE NOT THE ANSWER NOW.**

**LET ME CONCLUDE WITH THESE THOUGHTS.**

**ELIMINATING TERRITORIAL RATING FACTORS IN MICHIGAN WILL NOT LOWER OVERALL INSURANCE RATES IN THIS STATE. THE ONLY REALISTIC WAY TO REDUCE RATES FOR EVERYONE, IS TO REDUCE THE AMOUNT PAID BY INSURANCE COMPANIES FOR:**

**MEDICAL CARE  
AUTO REPAIRS  
AND LAWSUITS...**

**IF PREMIUMS IN ONE AREA ARE ARBITRARILY REDUCED, IT WILL RESULT IN ALL OTHER CONSUMERS PAYING MORE FOR THEIR INSURANCE – EVEN IF THEIR RISK OF LOSS IS MUCH, MUCH LOWER.**

**WITH THAT, MR CHAIRMAN I WOULD LIKE TO PERHAPS RESPOND TO SPECIFIC QUESTIONS FROM THE COMMITTEE, IF THERE ARE ANY.**





# Spotlight

Insurance Institute  
of Michigan

## Factors Which Determine The Cost Of Auto Premiums

Michigan is generally recognized as having the most efficient and effective auto insurance laws in the United States.

Michigan's Essential Insurance Act provides that rates shall not be excessive, inadequate or unfairly discriminatory. It further limits the factors an insurance company can use to determine the price of an auto policy. Following are just some of the classifications used to determine how much car insurance will cost.

Driver age, length of driving experience or number of years licensed to operate a vehicle. Statistics indicate that older, more experienced drivers are involved in fewer accidents.

Driving record. Good drivers pay lower premiums than those motorists with tickets and at-fault accidents.

Where the driver lives. More auto accidents and thefts occur in urban areas than in suburban or rural areas. Due to the increased risk, people who live in urban areas usually pay higher premiums.

Type and use of car. The cost of insuring a car depends not only on its value, but its safety features and cost to repair. Cars with air bags and anti-lock brakes may reduce the cost of Personal Injury Protection coverage. Cars used for business will cost more to insure than those used for pleasure because they are on the road more.

Coverages selected. In Michigan, drivers are required to carry Personal Injury Protection, Property Protection and Residual Liability; however, there are several "you choose" coverages available to motorists.

There are other social and economic factors which have an impact on the premium motorists pay for auto insurance coverage.

Social inflation. The term does not refer to specific social programs, but to rising costs brought on by the prevailing attitudes of society. More people are suing each other and today's juries are prone to grant larger awards. The cost of paying high court awards, settlements and even the expense of defending lawsuits translates into higher insurance premiums.

Health care costs. The average Personal Injury Protection claim in Michigan in 2005 was \$25,221. From 2000 to 2005, the average PIP claim rose more than 85 percent.

Car repair costs. A study by the Alliance of American Insurers shows it would cost \$71,631 to buy all the parts and paint necessary for a 2002 Dodge Grand Caravan Sport which had a showroom retail price of \$24,815. The \$71,631 reflects only the cost of original equipment manufacturing replacement parts. It doesn't include the labor to assemble them.

## *Insurance Factors*

### *Page 2*

Crime. In 2005, 48,000 vehicles were stolen in Michigan — about one every nine minutes. The amount paid for this crime through premiums is around \$50 to several hundred dollars a year, depending on geographic location and value of the vehicle. Fraudulent claims are rising also. The National Insurance Crime Bureau estimates that property/casualty insurance crime costs more than \$30 billion annually.

Statutory benefit increases. Under Michigan's no-fault law, the maximum work loss benefit payable to persons injured in auto accidents is adjusted each year to reflect changes in the National Consumer Price Index. When no-fault became law on October 1, 1973, the maximum work loss benefit was \$1,000 per month or \$36,000 over a three-year period. Today, the monthly benefit has risen to \$4,589 — or about \$165,204 for three-years.



**STATE OF MICHIGAN  
DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES  
INSURANCE BUREAU**

**EFFECT OF  
PUBLIC ACT 98 OF 1996  
ON  
AUTOMOBILE AND HOME INSURANCE  
PREMIUMS IN MICHIGAN**

By:  
Frank M. Fitzgerald  
Commissioner of Insurance

Dated: December, 1999

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## ACKNOWLEDGEMENTS

The Insurance Bureau would like to thank each of the insurance companies for their assistance and cooperation in providing the rate information contained in this report.

The Insurance Commissioner would like to thank the staff of the Insurance Bureau for their invaluable contribution to this report. Sandy Liddle and Chris Nettleton were instrumental in compiling the data and preparing the narrative for the auto and home portions of this report, respectively. In addition to the many hours they contributed to this report, the Commissioner would also like to mention Cathy Kirby, Krystal Rourke, Jean Carlson, Julie Smith, Steve Henry, Don McMahon, Audrey Feldpausch and Gail Spitzley for their input.

## INTRODUCTION

In 1996, the Legislature passed and the Governor signed Public Act 98 (PA 98) removing territorial rating constraints on auto and home insurance enacted in 1981 as part of the Essential Insurance Act.

Section 2111(10) of PA 98 (MCLA 500.2111(10)) required: "The commissioner shall report in writing to the senate and house of representatives standing committees of insurance issues by January 1, 2000 of the effect that the amendatory act that added this subsection has had on automobile and home insurance premiums in this state." This report fulfills this statutory requirement.

To prepare this report, the Commissioner obtained home and auto rate information from the companies writing policies generating greatest premium value in Michigan. Several smaller Michigan-headquartered companies also supplied rate information. The requested auto rates were based on an example "family" scenario used by the Insurance Bureau in the 1999, 1996 and 1995 "Buyers' Guide to Auto Insurance in Michigan." The homeowner rates were for a sample "family" in the 1998 and 1996 "Buyers Guide to Home and Renters Insurance in Michigan."

## EXPLANATION OF TERRITORIAL RATING UNDER THE ESSENTIAL INSURANCE ACT OF 1981

The use of geographic territories to set automobile and homeowner rates became a major issue during the development of the Essential Insurance Act (EIA). Passed in 1981, the EIA contained specific underwriting and rating provisions designed to enhance insurance availability and affordability across the state. The EIA allowed insurers to use a specified list of rating criteria to create their rates. Territorial rating was one such criterion. (See appendix A for the statutory provisions.)

To apply territorial rating, an insurer divides the state into geographic regions to develop a discrete territorial rate. Within each territory, the cost of providing auto or homeowners coverage determines the base rate filed within the Insurance Bureau.

A company develops a base rate for each territory by applying the rating criteria found in the EIA. For example, a company may use territory (urban or rural, for example), fire protection class and cost of dwelling to develop a specific rate for someone's home. Each criterion has a rate attached to it, which then is adjusted according to a specific home's physical characteristics. Two houses in the same territory would start with the same territorial base rate. Because one home is valued at \$100,000 and another at \$200,000, the final cost to insure the home is different.

Prior to the enactment of PA 98, the EIA imposed restrictions on how insurers could use their developed territorial base rates. The auto insurer territorial rating restrictions under the EIA were:

- ☐ An insurer could not have more than 20 different territorial base rates. An insurer could have more than 20 defined territories, but among the territories only 20 different base rates were allowed. An insurer was free to use fewer than 20 territorial base rates.
- ☐ The lowest territorial base rate could not be less than 45% of that insurer's highest territorial base rate. For example, if Traverse City generated the lowest rate by territory, its rate could not be less than 45% of the same insurer's rate used in Detroit, if that were the highest rate by territory.
- ☐ Territorial base rates could not vary by more than 10% for adjacent territories. For example, if Traverse City generated the lowest rate by territory, and Kalkaska was located in the next adjacent territory, its territorial base rate could not be more than 10% higher than the Traverse City base rate in the same company.

The home insurer territorial rating restrictions under the EIA were:

- ☐ An insurer could not have more than 3 different territorial base rates. Again, it could have more territories, but only 3 rates based on territorial definitions could be applied to those territories.

- ❑ An insurer's lowest territorial base rate for owner-occupied dwelling policies could not be less than 70% of its highest territorial base rate. This constraint worked the same as the auto constraint, but applied a different percentage.
- ❑ An insurer's lowest territorial base rate for renter or tenant policies could not be less than 65% of its highest territorial base rate. This constraint functioned in the same manner as the previous home insurance and auto insurance constraints.

Placing differential caps on territorial base rates was a legislative effort to minimize a large disparity in rates between urban, suburban, and rural areas, and to lessen the disparity in rates between adjacent areas. The legislators hoped that the constraints would help mitigate large rate increases in both auto and home insurance for urban dwellers experienced during the late 1970's.

These statutory rate provisions created a different result than intended. In order to collect sufficient premium in the high risk areas to pay its claims, insurers were forced to raise rates in the lower risk territories to meet the statutorily imposed percentage standards. In essence, the residents of lower cost territories were forced to pay higher base rates than needed to pay their losses so that the insurers could collect enough premium in the high cost areas to cover those claims. This created a rate subsidy, with the residents of lower cost territories paying higher rates than necessary to allow compliance with both the forty-five percent high-low requirement and the ten percent by contiguous territory provision. Rates were smoothed and kept within a narrower band than actual cost would have required. As a result, some residents paid higher than necessary rates while others paid substantially low subsidized rates.

Some smaller insurers responded to this situation by withdrawing from the higher priced markets, generally urban areas, to concentrate their marketing on the less costly suburban and rural markets in which they felt they could more profitably compete. As the smaller companies became less active in the urban markets, urban residents had fewer choices of companies with whom to insure their cars and homes.

An auto or home insurer must write policies in any part of Michigan. Legislators hoped that insurers would become more active in areas they previously downplayed if more accurate pricing of the base rate within a territory could occur. The competitive effect of increased active marketing in all areas of the state should benefit insureds by allowing accurate premium pricing through traditional competitive pressures rather than through the operation of a state law. A freely competitive market should function to keep prices reasonable and insurance products available from a maximum number of companies.

Because auto and home insurance premiums are based on different cost factors, each is divided separately in the following sections. One section addresses auto insurance trends as a result of Public Act 98, while the other addresses home insurance trends. A summary at the end of each section addresses the Bureau's findings.

## AUTOMOBILE INSURANCE

In Michigan, auto insurance companies may develop rates for auto insurance based *only* on factors which are specified in the Insurance Code. Insurance claim studies conclude that these factors are directly related to the risk an insured person (or his or her vehicle) presents or which have a direct impact on the cost to the company of paying a claim. For example, the annual number of miles a vehicle is driven, the number of years of driving experience of the insured person, the type of vehicle and its cost to repair and the conditions of the driving environment (territory) in which the vehicle is generally operated are all factors a company may legally use to develop its rates. Other factors affecting the cost of auto insurance, and hence the premium charged, include the amount of money the driver earns and the number of dependents in the household. The latter two factors are necessary because no-fault insurance provides medical, wage loss and survivors' benefits for all members of the insured person's household. A company may, but is not required to, use any or all legislated criteria. (See appendix B.)

One factor that automobile insurers may legally use to determine how much an insured should pay for insurance is the location of the insured's residence. Auto insurers typically divide the state into territories and charge base premiums based partly on anticipated losses and costs in each territory. There are predictable differences in costs between areas based on traffic volume, theft rates, medical costs, auto repair expenses, and other measurable factors.

The law also requires all insurers to use a merit rating plan providing higher premium charges to drivers who have tickets or have had accidents in which they are at fault. These drivers, therefore, pay higher insurance rates based on their personal driving record than drivers with better driving records.

Many insurance companies also offer premium discounts or discounted group policies. These discounts are allowed by law (see appendix C) and are increasingly used by companies seeking competitive advantage. These discounts allow qualified individuals to obtain insurance at a reduced rate from the filed base rate for the territory. The premiums do not reflect any available discounts or group rates. Premium discounts are discussed in a subsequent section of this report (see page 26).

### Automobile Insurance Companies Studied

The auto insurance companies generating the largest amount of premium, as well as a number of the smaller Michigan-based (domestic) companies, were surveyed for our report. A few companies in the state are exempt from the EIA due to the limited amount of insurance business they write within Michigan. Exempt companies were not included in this report because their rating and underwriting practices may vary from those subject to the EIA. Also excluded were companies writing only group policies since they are limited in the number and type of policies they offer to Michigan consumers. Based on these criteria, the following companies were selected to provide data for the auto insurance portion of this report:

- Allstate Insurance Company
- Auto Club Insurance Association
- Auto-Owners Insurance Company
- Citizens Insurance Company
- Continental Insurance Company (CNA)
- Farm Bureau Insurance Companies
- Farmers Insurance Exchange
- Foremost Insurance Companies
- Frankenmuth Mutual Insurance Company
- Hastings Mutual Insurance Company
- Lakes States Insurance Company
- Michigan Millers Mutual Insurance Company
- Mutual Insurance Corporation of America (formerly Michigan Physicians Mutual Liability Insurance Company)\*
- North Pointe Insurance Company\*
- Pioneer State Mutual Insurance Company\*
- Progressive MI Insurance Company\*
- Secura Insurance A Mutual Company
- State Farm Mutual Automobile Insurance Company
- TIG Insurance Corporation of America
- Titan Insurance Company

Companies listed above followed by the \* sign may have been authorized to write auto insurance in 1995 when the territorial constraints were still in effect, but were not yet writing policies. Therefore, these companies will not have premium data for that period of time. They are included in the report, however, because they have become a significant presence in the Michigan auto insurance market.



### Automobile Insurance Rating Territories

Location plays an important part in determining auto insurance premiums. As explained previously in this report (see page 4), the law allows insurance companies to divide the state into rating territories. Each company creates its geographic territories. Different territories have distinctly different loss cost factors that companies use in setting a base rate for a particular territory. For example, urban areas traditionally have more auto thefts than in rural areas of the state. The increased loss costs are typically reflected in auto insurance costs for those particular areas of the state.

For this report, locations that are representative of different parts of the state (and their different loss cost factors) were chosen to present a range of urban, suburban, and rural areas. Some companies divide larger metropolitan locations (Detroit, for example) into different territories. Therefore, the companies were given specific intersections to use when providing a rate for those larger areas.

| <b>Location</b>             | <b>Intersection</b>             | <b>Zip</b> |
|-----------------------------|---------------------------------|------------|
| SWD (Southwest Detroit)     | 33rd & Jackson                  | 48210      |
| NWD (Northwest Detroit)     | 6 Mile & Lenore                 | 48219      |
| NCD (North Central Detroit) | Winchester & Binder             | 48234      |
| SCD (South Central Detroit) | Gratiot & Mt. Elliott           | 48207      |
| NED (Northeast Detroit)     | State Fair & Redmond            | 48205      |
| PON (Pontiac)               | Auburn & Paddock                | 48342      |
| MAC (Macomb County-Warren)  | Canterbury & Hoover             | 48093      |
| WDT (Wyandotte)             | 14th & Oak                      | 48192      |
| YPS (Ypsilanti)             |                                 | 48197      |
| LAN (Lansing)               | Martin Luther King Jr. & Ottawa | 48915      |
| KAL (Kalamazoo)             | Whites Road                     | 49008      |
| TRA (Traverse City)         |                                 | 49684      |
| MAR (Marquette)             |                                 | 49855      |
| SAG (Saginaw)               | Hess & Sheridan                 | 48601      |
| FLI (Flint)                 | Dort & Davison                  | 48506      |
| GRA (Grand Rapids)          | Plainfield & Knapp              | 49505      |

### Automobile Insurance Survey Criteria – The Sample Family

The Insurance Bureau conducts an annual survey of auto insurance companies to learn the rates they charge across the state. Because many factors affect what consumers actually pay for insurance, it is not possible to show a rate for every situation. A sample couple was created with the following characteristics:

**Drivers:** Married couple, age 35, two children

Wife - 1 mile commute 1 way, 3,000 mi/yr; \$25,000/yr.

Husband - 12 mile commute 1 way, 12,000 mi/yr; \$40,000/yr

Both drivers no tickets or accidents

**Coverages & Limits:**

Broad Collision \$250 deductible

Comprehensive \$100 deductible

The family has two vehicles: a three year old Pontiac Grand Am SE 2-door coupe and a four year old Ford Taurus LX 4-door sedan.

The territorial rating constraints of the ELA were removed from statute on February 28, 1996. Therefore, this report presents data from three different annual Bureau surveys (1995, 1996 and 1999) in an attempt to show how auto insurance rates have changed from a constrained rate period (1995) to shortly after the removal of the constraints (1996) to the present (1999). The information requested from companies for each survey was based on the sample family described above.

There are several factors to consider when reviewing this premium data that follows:

1. The auto insurance premiums reflected in this report include two vehicles, both carrying optional coverages, comprehensive and collision. These coverages pay for damage to a vehicle and are not required by Michigan's no-fault insurance. Many individuals with older vehicles may choose not to purchase these optional coverages since they comprise a significant portion of total premium. Therefore, eliminating these coverages or having one vehicle could drastically reduce an individual's auto insurance premium.
2. Many companies offer their policyholders various premium discounts. These discounts are based upon many factors, such as having multiple policies with the company. An individual who qualifies for one or more of these discounts could save anywhere from 10% to 25% on portions of their insurance premium, depending on the discount(s). All of these discounts may not be reflected in the premium data contained in this report. Discounts are allowed by law and approved on a company basis by the Commissioner.
3. Many companies offer group auto insurance coverage at reduced rates to members of qualified groups, organizations, associations and trade or business associations. Credit union members and employees of various businesses also may be eligible. Again, these discounted group premiums are not reflected in this report. These discounts are filed by companies and approved by the Commissioner.

May 1, 1995

Drivers: Married couple, age 35

Wife - 1 mi commute 1 way, 3,000 mi/yr; \$25,000/yr.

Husband - 12 mi commute 1 way, 12,000 mi/yr; \$40,000/yr;  
both drivers no tickets or accidents; two children

#### Cars:

Wife - 1992 Pontiac Grand Am SE 2-door coupe

VIN: 1GNE14D&N

Husband - 1991 Ford Taurus LX 4-door sedan

VIN: 1FACP53U&M

#### Coverages & Limits:

Bodily Injury/Property Damage 100/300/100 or  
300 Combined Single Limit

Personal Protection Insurance \$1,000,000

Personal Injury Protection Medical & Work Loss Excess

Uninsured Motorist 20/40

BROAD COLLISION \$250 Deductible

COMPREHENSIVE \$100 Deductible

| COMPANY NAME                  | SWD   | NWD  | NCD  | SCD  | NED  | PON  | MAC  | WDT  | YPSI | LAN  | KAL  | TRA  | MAR  | SAG  | FLI  | GRA  |
|-------------------------------|---|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Allstate Ins Co               | 3039  | 2315 | 2761 | 3335 | 2315 | 2537 | 2127 | 1955 | 1955 | 1853 | 1647 | 1647 | 1647 | 1951 | 2211 | 1647 |
| Auto Club Ins Assn*           | 3478  | 2946 | 3274 | 3478 | 2252 | 2159 | 1912 | 1912 | 2126 | 1687 | 1566 | 1566 | 1566 | 1934 | 2625 | 1687 |
| Auto-Owners Ins Co            | 2692  | 2104 | 2303 | 2692 | 2104 | 1861 | 1893 | 1573 | 1651 | 1459 | 1467 | 1311 | 1379 | 1708 | 2487 | 1486 |
| Citizens Insurance Co.        | 2622  | 1934 | 2367 | 2766 | 1934 | 1744 | 1744 | 1493 | 1493 | 1412 | 1357 | 1276 | 1335 | 1577 | 2014 | 1276 |
| Continental Ins Co (CNA)      | 2640  | 2091 | 2344 | 3004 | 2344 | 3004 | 2243 | 2091 | 1528 | 1566 | 1486 | 1842 | 1647 | 1773 | 1793 | 1633 |
| Farm Bureau*+                 | 2776  | 2233 | 2421 | 2776 | 2421 | 2130 | 2149 | 2027 | 1744 | 1576 | 1427 | 1386 | 1679 | 1591 | 2184 | 1458 |
| Farmers Ins Exchange*         | 2328  | 2123 | 2556 | 2556 | 2328 | 2123 | 1975 | 1938 | 1622 | 1622 | 1487 | 1366 | 1366 | 1771 | 1938 | 1487 |
| Foremost Ins. Co.             | 2713  | 2446 | 2713 | 2993 | 2713 | 2205 | 2205 | 2446 | 1502 | 1757 | 1382 | 1459 | 1502 | 1783 | 2205 | 1609 |
| Frankenmuth Ins. Co.          | 2948  | 2948 | 2948 | 2948 | 2948 | 2370 | 2532 | 2532 | 1926 | 1696 | 1696 | 1610 | 1478 | 1832 | 2194 | 1646 |
| Hastings Mutual Ins Co        | 2300  | 2106 | 2118 | 2364 | 2118 | 1858 | 1820 | 2106 | 1722 | 1536 | 1544 | 1354 | 1386 | 1538 | 1974 | 1490 |
| Lake States Ins Co            | 2580  | 2138 | 2580 | 2580 | 2138 | 1944 | 1944 | 1614 | 1614 | 1380 | 1314 | 1286 | 1286 | 1818 | 2138 | 1314 |
| Michigan Millers Mutual       | 2562  | 2113 | 2344 | 2562 | 2344 | 1708 | 1897 | 1897 | 1373 | 1241 | 1384 | 1179 | 1258 | 1453 | 1944 | 1313 |
| MI Physicians Mut Liability** | Authorized 6/15/95 - No premium until 1997 - Name change 7/8/98 to Mutual Ins. Corp. of America |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| North Pointe Ins. Co.**       | Authorized 6/15/95 - No premium until 1996  |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Pioneer State Mutual**        | Authorized 6/26/96 - No premium until 1996  |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Progressive MI Ins Co**       | Authorized 1/18/95 - No premium until 1996  |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Secura Ins A Mutual Co        | 2215  | 2117 | 2117 | 2215 | 1939 | 1841 | 1939 | 1841 | 1546 | 1343 | 1318 | 1314 | 1314 | 1460 | 1801 | 1277 |
| State Farm Mutual Auto*       | 2404  | 1969 | 2189 | 2620 | 2189 | 1842 | 1820 | 1995 | 1697 | 1364 | 1313 | 1408 | 1359 | 1490 | 2110 | 1484 |
| TIG Ins Corp of America       | 2792  | 2290 | 2540 | 3126 | 2540 | 2134 | 2284 | 2284 | 1724 | 1628 | 1536 | 1496 | 1498 | 1774 | 2366 | 1506 |
| Titan Insurance Co            | 5412  | 5412 | 5940 | 5940 | 5412 | 4860 | 5104 | 5412 | 4500 | 4536 | 4594 | 4682 | 4682 | 4588 | 4588 | 4594 |

Notes to all examples:

\*Membership fee may apply. Cost of membership is not included in the premium quotation.

\*\*Company was not authorized in Michigan until June of 1995 or later.

+May reflect variation due to company program specifications.

July 31, 1996

Drivers: Married couple, age 35

Wife - 1 mi commute 1 way, 3,000 mi/yr; \$25,000/yr.

Husband - 12 mi commute 1 way, 12,000 mi/yr; \$40,000/yr;

both drivers no tickets or accidents; two children

#### Cars:

Wife - 1993 Pontiac Grand Am SE 2-door coupe

VIN: 1G2NE14D

Husband - 1992 Ford Taurus LX 4-door sedan

VIN: 1FACP53U

#### Coverages & Limits:

Bodily Injury/Property Damage 100/300/100 or

300 Combined Single Limit

Personal Protection Insurance \$1,000,000

Personal Injury Protection Medical & Work Loss Excess

Uninsured Motorist 20/40

BROAD COLLISION \$250 Deductible

COMPREHENSIVE \$100 Deductible

| COMPANY NAME                  | SWD   | NWD  | NCD  | SCD  | NED  | PON  | MAC  | WDT  | YPSI | LAN  | KAL  | TRA  | MAR  | SAG  | FLI  | GRA  |
|-------------------------------|---|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Allstate Ins Co               | 3232  | 2932 | 3232 | 3555 | 2932 | 2699 | 2239 | 2239 | 2052 | 1950 | 1724 | 1724 | 1724 | 2045 | 2342 | 1724 |
| Auto Club Ins Assn*           | 3688  | 3123 | 3471 | 3688 | 2383 | 2284 | 2022 | 2022 | 2249 | 1782 | 1651 | 1651 | 1651 | 2044 | 2781 | 1782 |
| Auto-Owners Ins Co            | 2753  | 2141 | 2380 | 2753 | 2141 | 1907 | 1940 | 1602 | 1686 | 1480 | 1492 | 1321 | 1398 | 1745 | 2575 | 1509 |
| Citizens Insurance Co.        | 2894  | 2126 | 2612 | 2894 | 2126 | 1688 | 1688 | 1436 | 1522 | 1300 | 1266 | 1197 | 1300 | 1522 | 1970 | 1205 |
| Continental Ins Co (CNA)      | 2162  | 1904 | 1989 | 2341 | 1989 | 1846 | 1848 | 1756 | 1718 | 1585 | 1423 | 1446 | 1412 | 1727 | 1952 | 1496 |
| Farm Bureau*                  | 3056  | 2467 | 2546 | 3056 | 2546 | 2322 | 2275 | 2191 | 1836 | 1683 | 1505 | 1466 | 1635 | 1761 | 2381 | 1599 |
| Farmers Ins Exchange*+        | 2614  | 2374 | 2614 | 2614 | 2374 | 2158 | 2374 | 2158 | 1787 | 1787 | 1488 | 1488 | 1488 | 1963 | 2158 | 1488 |
| Foremost Ins. Co.             | 2857  | 2568 | 2857 | 3159 | 2857 | 2307 | 2307 | 2568 | 1546 | 1822 | 1415 | 1499 | 1546 | 1850 | 2307 | 1662 |
| Frankenmuth Ins. Co.          | 3276  | 3276 | 3276 | 3276 | 3276 | 2678 | 2822 | 2822 | 1870 | 1708 | 1708 | 1494 | 1654 | 2026 | 2678 | 1708 |
| Hastings Mutual Ins Co        | 3000  | 2514 | 2710 | 3314 | 2710 | 2190 | 2320 | 2514 | 1826 | 1626 | 1638 | 1420 | 1456 | 1560 | 2190 | 1684 |
| Lake States Ins Co            | 2764  | 2764 | 2764 | 2504 | 2764 | 2092 | 2020 | 1358 | 2020 | 1358 | 1276 | 1120 | 1120 | 2764 | 2764 | 1276 |
| Michigan Millers Mutual       | 2485  | 2183 | 2183 | 2643 | 2485 | 1532 | 1771 | 1936 | 1311 | 1153 | 1310 | 1106 | 1177 | 1388 | 1979 | 1238 |
| MI Physicians Mut Liability** | Authorized 6/15/95 - No premium until 1997 - Name change 7/8/98 to Mutual Ins. Corp. of America |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| North Pointe Ins. Co.**       | 5434  | 5434 | 5894 | 5894 | 5434 | 4946 | 5360 | 5434 | 4512 | 4588 | 4602 | 4692 | 4692 | 4608 | 4608 | 4602 |
| Pioneer State Mutual**        | 2563  | 2166 | 2563 | 2563 | 2563 | 1994 | 2389 | 2166 | 1546 | 1338 | 1338 | 1210 | 1332 | 1542 | 1858 | 1338 |
| Progressive MI Ins Co+**      | 1794  | 1702 | 1918 | 2326 | 1762 | 1582 | 1558 | 1730 | 1492 | 1244 | 1108 | 1208 | 1156 | 1232 | 1912 | 1272 |
| Secura Ins A Mutual Co        | 2934  | 2934 | 2934 | 2934 | 2934 | 2209 | 1866 | 2209 | 1692 | 1365 | 1379 | 1269 | 1489 | 1697 | 2145 | 1300 |
| State Farm Mutual Auto*       | 2495  | 2058 | 2266 | 2751 | 2266 | 2025 | 1755 | 1873 | 1656 | 1408 | 1368 | 1498 | 1442 | 1640 | 2263 | 1504 |
| TIG Ins Corp of America       | 2472  | 2020 | 2260 | 2650 | 2060 | 1868 | 2020 | 2020 | 1528 | 1436 | 1354 | 1278 | 1312 | 1558 | 2072 | 1364 |
| Titan Insurance Co            | 5448  | 5448 | 5990 | 5990 | 5448 | 4884 | 5134 | 5448 | 4518 | 4602 | 4610 | 4700 | 4700 | 4604 | 4604 | 4610 |

Notes to all examples:

\*Membership fee may apply. Cost of membership is not included in the premium quotation.

\*\*Company was not authorized in Michigan until June of 1995 or later.

+May reflect variation due to company program specifications.

March 1, 1999

Drivers: Married couple, age 35

Wife - 1 mi commute 1 way, 3,000 mi/yr; \$25,000/yr.

Husband - 12 mi commute 1 way, 12,000 mi/yr; \$40,000/yr;

both drivers no tickets or accidents; two children

#### Cars:

Wife - 1996 Pontiac Grand Am SE 2-door coupe

VIN: 1GNE12T&T

Husband - 1995 Ford Taurus LX 4-door sedan

VIN: 1FALP53U&S

#### Coverages & Limits:

Bodily Injury/Property Damage 100/300/100 or  
300 Combined Single Limit

Personal Protection Insurance \$1,000,000

Personal Injury Protection Medical & Work Loss Excess

Uninsured Motorist 20/40

BROAD COLLISION \$250 Deductible

COMPREHENSIVE \$100 Deductible

| COMPANY NAME                 | SWD  | NWD  | NCD  | SCD  | NED  | PON  | MAC  | WDT  | YPSI | LAN  | KAL  | TRA  | MAR  | SAG  | FLI  | GRA  |
|------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Allstate Ins Co              | 4774 | 3920 | 4526 | 5072 | 3978 | 3018 | 2686 | 2542 | 2608 | 2248 | 2054 | 2150 | 2172 | 2400 | 2744 | 2448 |
| Auto Club Ins Assn*          | 4380 | 2410 | 3158 | 4380 | 2275 | 2708 | 2003 | 1801 | 2214 | 1801 | 1548 | 1548 | 1469 | 2477 | 2982 | 1801 |
| Auto-Owners Ins Co           | 3106 | 2298 | 2714 | 3106 | 2298 | 2160 | 2102 | 1672 | 1758 | 1520 | 1484 | 1338 | 1426 | 1822 | 2546 | 1566 |
| Citizens Insurance Co.       | 3617 | 3484 | 4021 | 4021 | 3617 | 2030 | 1644 | 1532 | 1860 | 1501 | 1177 | 1252 | 1361 | 1860 | 2333 | 1319 |
| Continental Ins Co (CNA)     | 2378 | 3270 | 4279 | 4470 | 2165 | 2395 | 2237 | 2378 | 1756 | 1793 | 1666 | 1748 | 1868 | 1869 | 2464 | 1780 |
| Farm Bureau*                 | 4282 | 4282 | 4282 | 4282 | 4282 | 2478 | 2452 | 2544 | 1842 | 1666 | 1579 | 1256 | 1517 | 2070 | 2555 | 1788 |
| Farmers Ins Exchange*+       | 4312 | 3840 | 3897 | 4312 | 3897 | 3371 | 3709 | 2257 | 2329 | 2410 | 2231 | 2082 | 1927 | 2535 | 2755 | 2222 |
| Foremost Prop & Cas#         | 2638 | 2370 | 2638 | 2638 | 2638 | 1687 | 1578 | 1771 | 1157 | 1179 | 1008 | 949  | 1128 | 1167 | 1498 | 1036 |
| Foremost Signature           | 2995 | 2694 | 2995 | 2995 | 2995 | 1915 | 1792 | 2013 | 1313 | 1337 | 1145 | 1078 | 1280 | 1324 | 1701 | 1177 |
| Frankenmuth Ins. Co.         | 3420 | 3420 | 3420 | 3420 | 3420 | 2686 | 2214 | 2214 | 1674 | 1470 | 1470 | 1236 | 1446 | 1872 | 2686 | 1470 |
| Hastings Mutual Ins Co       | 4474 | 3728 | 4024 | 5032 | 4024 | 3032 | 3328 | 3728 | 1872 | 1802 | 1814 | 1590 | 1804 | 1790 | 3484 | 2216 |
| Lake States Ins Co           | 3166 | 3166 | 3166 | 2758 | 3166 | 2258 | 2182 | 1510 | 1916 | 1416 | 1386 | 1278 | 1440 | 2176 | 3166 | 1372 |
| Michigan Millers Mutual      | 3568 | 2880 | 3152 | 3574 | 3152 | 2230 | 2392 | 2450 | 1538 | 1414 | 1656 | 1306 | 1382 | 1636 | 2552 | 1526 |
| Mutual Ins. Corp. of Amer.** | 3287 | 2617 | 3287 | 3287 | 2944 | 1970 | 1963 | 2971 | 1275 | 1497 | 1497 | 1380 | 1648 | 1656 | 2242 | 1535 |
| North Pointe Ins. Co.        | 4654 | 4670 | 5170 | 5170 | 4654 | 4168 | 4618 | 4670 | 3866 | 3878 | 3800 | 3888 | 3888 | 3884 | 3884 | 3800 |
| Pioneer State Mutual         | 2324 | 1914 | 2324 | 2324 | 2324 | 1768 | 1914 | 1914 | 1382 | 1200 | 1152 | 1068 | 1200 | 1378 | 1640 | 1152 |
| Progressive MI Ins Co        | 2601 | 1812 | 2601 | 2601 | 2601 | 1864 | 1189 | 1430 | 1096 | 913  | 862  | 997  | 840  | 1143 | 1713 | 987  |
| Secura Ins A Mutual Co       | 4070 | 4070 | 4070 | 4070 | 4070 | 2668 | 2076 | 2668 | 1562 | 1542 | 1582 | 1460 | 1700 | 1898 | 1844 | 1506 |
| State Farm Mutual Auto*      | 3987 | 3332 | 3719 | 4235 | 3719 | 2481 | 1783 | 1665 | 1847 | 1689 | 1341 | 1478 | 1450 | 2034 | 2557 | 1758 |
| TIG Ins Corp of America      | 3184 | 2496 | 2860 | 3420 | 2860 | 2174 | 2508 | 2496 | 1660 | 1526 | 1462 | 1316 | 1430 | 1586 | 2560 | 1468 |
| Titan Insurance Co           | 5884 | 6254 | 7110 | 7110 | 6756 | 4638 | 5084 | 4668 | 4396 | 4566 | 4274 | 4696 | 4664 | 4556 | 4560 | 4360 |

Notes to all examples:

\*Membership fee may apply. Cost of membership is not included in the premium quotation.

\*\*Company was not authorized in Michigan until June of 1995 or later.

+May reflect variation due to company program specifications.

#As of 1/99 rate is only available if the company is contacted directly without the assistance of an agent.

# BASE RATES LISTED BY COMPANY, YEAR AND TERRITORY

| COMPANY NAME                    | SWD  | NWD  | NCD  | SCD  | NED  | PON  | MAC  | WDT  | YPSI | LAN  | KAL  | TRA  | MAR  | SAG  | FLI  | GRA  |
|---------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| <b>Allstate Ins Co</b>          |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                            | 3039 | 2315 | 2761 | 3335 | 2315 | 2537 | 2127 | 1955 | 1955 | 1853 | 1647 | 1647 | 1647 | 1951 | 2211 | 1647 |
| 1996                            | 3232 | 2932 | 3232 | 3555 | 2932 | 2699 | 2239 | 2239 | 2052 | 1950 | 1724 | 1724 | 1724 | 2045 | 2342 | 1724 |
| 1999                            | 4774 | 3920 | 4526 | 5072 | 3978 | 3018 | 2686 | 2542 | 2608 | 2248 | 2054 | 2150 | 2172 | 2400 | 2744 | 2448 |
| <b>Auto Club Ins Assn*</b>      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                            | 3478 | 2946 | 3274 | 3478 | 2252 | 2159 | 1912 | 1912 | 2126 | 1687 | 1566 | 1566 | 1566 | 1934 | 2625 | 1687 |
| 1996                            | 3688 | 3123 | 3471 | 3688 | 2383 | 2284 | 2022 | 2022 | 2249 | 1782 | 1651 | 1651 | 1651 | 2044 | 2781 | 1782 |
| 1999                            | 4380 | 2410 | 3158 | 4380 | 2275 | 2708 | 2003 | 1801 | 2214 | 1801 | 1548 | 1548 | 1469 | 2477 | 2982 | 1801 |
| <b>Auto-Owners Ins Co</b>       |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                            | 2692 | 2104 | 2303 | 2692 | 2104 | 1861 | 1893 | 1573 | 1651 | 1459 | 1467 | 1311 | 1379 | 1708 | 2487 | 1486 |
| 1996                            | 2753 | 2141 | 2380 | 2753 | 2141 | 1907 | 1940 | 1602 | 1686 | 1480 | 1492 | 1321 | 1398 | 1745 | 2575 | 1509 |
| 1999                            | 3106 | 2298 | 2714 | 3106 | 2298 | 2160 | 2102 | 1672 | 1758 | 1520 | 1484 | 1338 | 1426 | 1822 | 2546 | 1566 |
| <b>Citizens Insurance Co.</b>   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                            | 2622 | 1934 | 2367 | 2766 | 1934 | 1744 | 1744 | 1493 | 1493 | 1412 | 1357 | 1276 | 1335 | 1577 | 2014 | 1276 |
| 1996                            | 2894 | 2126 | 2612 | 2894 | 2126 | 1688 | 1688 | 1436 | 1522 | 1300 | 1266 | 1197 | 1300 | 1522 | 1970 | 1205 |
| 1999                            | 3617 | 3484 | 4021 | 4021 | 3617 | 2030 | 1644 | 1532 | 1860 | 1501 | 1177 | 1252 | 1361 | 1860 | 2333 | 1319 |
| <b>Continental Ins Co (CNA)</b> |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                            | 2640 | 2091 | 2344 | 3004 | 2344 | 3004 | 2243 | 2091 | 1528 | 1566 | 1486 | 1842 | 1647 | 1773 | 1793 | 1633 |
| 1996                            | 2162 | 1904 | 1989 | 2341 | 1989 | 1846 | 1848 | 1756 | 1718 | 1585 | 1423 | 1446 | 1412 | 1727 | 1952 | 1496 |
| 1999                            | 2378 | 3270 | 4279 | 4470 | 2165 | 2395 | 2237 | 2378 | 1756 | 1793 | 1666 | 1748 | 1868 | 1869 | 2464 | 1780 |
| <b>Farm Bureau*</b>             |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995+                           | 2776 | 2233 | 2421 | 2776 | 2421 | 2130 | 2149 | 2027 | 1744 | 1576 | 1427 | 1386 | 1679 | 1591 | 2184 | 1458 |
| 1996                            | 3056 | 2467 | 2546 | 3056 | 2546 | 2322 | 2275 | 2191 | 1836 | 1683 | 1505 | 1466 | 1635 | 1761 | 2381 | 1599 |
| 1999                            | 4282 | 4282 | 4282 | 4282 | 4282 | 2478 | 2452 | 2544 | 1842 | 1666 | 1579 | 1256 | 1517 | 2070 | 2555 | 1788 |
| <b>Farmers Ins Exchange*</b>    |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                            | 2328 | 2123 | 2556 | 2556 | 2328 | 2123 | 1975 | 1938 | 1622 | 1622 | 1487 | 1366 | 1366 | 1771 | 1938 | 1487 |
| 1996+                           | 2614 | 2374 | 2614 | 2614 | 2374 | 2158 | 2374 | 2158 | 1787 | 1787 | 1488 | 1488 | 1488 | 1963 | 2158 | 1488 |
| 1999+                           | 4312 | 3840 | 3897 | 4312 | 3897 | 3371 | 3709 | 2257 | 2329 | 2410 | 2231 | 2082 | 1927 | 2535 | 2755 | 2222 |
| <b>Foremost Ins. Co.</b>        |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                            | 2713 | 2446 | 2713 | 2993 | 2713 | 2205 | 2205 | 2446 | 1502 | 1757 | 1382 | 1459 | 1502 | 1783 | 2205 | 1609 |
| 1996                            | 2857 | 2568 | 2857 | 3159 | 2857 | 2307 | 2307 | 2568 | 1546 | 1822 | 1415 | 1499 | 1546 | 1850 | 2307 | 1662 |
| Foremost Signature 1999         | 2995 | 2694 | 2995 | 2995 | 2995 | 1915 | 1792 | 2013 | 1313 | 1337 | 1145 | 1078 | 1280 | 1324 | 1701 | 1177 |
| Foremost Prop & Cas# 1999       | 2638 | 2370 | 2638 | 2638 | 2638 | 1687 | 1578 | 1771 | 1157 | 1179 | 1008 | 949  | 1128 | 1167 | 1498 | 1036 |
| <b>Frankenmuth Ins. Co.</b>     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                            | 2948 | 2948 | 2948 | 2948 | 2948 | 2370 | 2532 | 2532 | 1926 | 1696 | 1696 | 1610 | 1478 | 1832 | 2194 | 1646 |
| 1996                            | 3276 | 3276 | 3276 | 3276 | 3276 | 2678 | 2822 | 2822 | 1870 | 1708 | 1708 | 1494 | 1654 | 2026 | 2678 | 1708 |
| 1999                            | 3420 | 3420 | 3420 | 3420 | 3420 | 2686 | 2214 | 2214 | 1674 | 1470 | 1470 | 1236 | 1446 | 1872 | 2686 | 1470 |

# BASE RATES LISTED BY COMPANY, YEAR AND TERRITORY

| COMPANY NAME                  | SWD   | NWD  | NCD  | SCD  | NED  | PON  | MAC  | WDT  | YPSI | LAN  | KAL  | TRA  | MAR  | SAG  | FLI  | GRA  |
|-------------------------------|---|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| <hr/>                         |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Hastings Mutual Ins Co        |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                          | 2300  | 2106 | 2118 | 2364 | 2118 | 1858 | 1820 | 2106 | 1722 | 1536 | 1544 | 1354 | 1386 | 1538 | 1974 | 1490 |
| 1996                          | 3000  | 2514 | 2710 | 3314 | 2710 | 2190 | 2320 | 2514 | 1826 | 1626 | 1638 | 1420 | 1456 | 1560 | 2190 | 1684 |
| 1999                          | 4474  | 3728 | 4024 | 5032 | 4024 | 3032 | 3328 | 3728 | 1872 | 1802 | 1814 | 1590 | 1804 | 1790 | 3484 | 2216 |
| <hr/>                         |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Lake States Ins Co            |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                          | 2580  | 2138 | 2580 | 2580 | 2138 | 1944 | 1944 | 1614 | 1614 | 1380 | 1314 | 1286 | 1286 | 1818 | 2138 | 1314 |
| 1996                          | 2764  | 2764 | 2764 | 2504 | 2764 | 2092 | 2020 | 1358 | 2020 | 1358 | 1276 | 1120 | 1120 | 2764 | 2764 | 1276 |
| 1999                          | 3166  | 3166 | 3166 | 2758 | 3166 | 2258 | 2182 | 1510 | 1916 | 1416 | 1386 | 1278 | 1440 | 2176 | 3166 | 1372 |
| <hr/>                         |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Michigan Millers Mutual       |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                          | 2562  | 2113 | 2344 | 2562 | 2344 | 1708 | 1897 | 1897 | 1373 | 1241 | 1384 | 1179 | 1258 | 1453 | 1944 | 1313 |
| 1996                          | 2485  | 2183 | 2183 | 2643 | 2485 | 1532 | 1771 | 1936 | 1311 | 1153 | 1310 | 1106 | 1177 | 1388 | 1979 | 1238 |
| 1999                          | 3568  | 2880 | 3152 | 3574 | 3152 | 2230 | 2392 | 2450 | 1538 | 1414 | 1656 | 1306 | 1382 | 1636 | 2552 | 1526 |
| <hr/>                         |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| MI Physicians Mut Liability** |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                          | Authorized 6/15/95 - No premium until 1997 - Name change 7/8/98 to Mutual Ins. Corp. of America |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1996                          | Authorized 6/15/95 - No premium until 1997 - Name change 7/8/98 to Mutual Ins. Corp. of America |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| (MICOA) 1999                  | 3287  | 2617 | 3287 | 3287 | 2944 | 1970 | 1963 | 2971 | 1275 | 1497 | 1497 | 1380 | 1648 | 1656 | 2242 | 1535 |
| <hr/>                         |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| North Pointe Ins. Co.**       |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                          | Authorized 6/15/95 - No premium until 1996  |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1996                          | 5434  | 5434 | 5894 | 5894 | 5434 | 4946 | 5360 | 5434 | 4512 | 4588 | 4602 | 4692 | 4692 | 4608 | 4608 | 4602 |
| 1999                          | 4654  | 4670 | 5170 | 5170 | 4654 | 4168 | 4618 | 4670 | 3866 | 3878 | 3800 | 3888 | 3888 | 3884 | 3884 | 3800 |
| <hr/>                         |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Pioneer State Mutual**        |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                          | Authorized 6/26/96 - No premium until 1996  |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1996                          | 2563  | 2166 | 2563 | 2563 | 2563 | 1994 | 2389 | 2166 | 1546 | 1338 | 1338 | 1210 | 1332 | 1542 | 1858 | 1338 |
| 1999                          | 2324  | 1914 | 2324 | 2324 | 2324 | 1768 | 1914 | 1914 | 1382 | 1200 | 1152 | 1068 | 1200 | 1378 | 1640 | 1152 |
| <hr/>                         |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Progressive MI Ins Co**       |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                          | n/a   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1996+                         | 1794  | 1702 | 1918 | 2326 | 1762 | 1582 | 1558 | 1730 | 1492 | 1244 | 1108 | 1208 | 1156 | 1232 | 1912 | 1272 |
| 1999                          | 2601  | 1812 | 2601 | 2601 | 2601 | 1864 | 1189 | 1430 | 1096 | 913  | 862  | 997  | 840  | 1143 | 1713 | 987  |
| <hr/>                         |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Secura Ins A Mutual Co        |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                          | 2215  | 2117 | 2117 | 2215 | 1939 | 1841 | 1939 | 1841 | 1546 | 1343 | 1318 | 1314 | 1314 | 1460 | 1801 | 1277 |
| 1996                          | 2934  | 2934 | 2934 | 2934 | 2209 | 1866 | 2209 | 1692 | 1365 | 1379 | 1269 | 1489 | 1697 | 2145 | 1300 |      |
| 1999                          | 4070  | 4070 | 4070 | 4070 | 4070 | 2668 | 2076 | 2668 | 1562 | 1542 | 1582 | 1460 | 1700 | 1898 | 1844 | 1506 |
| <hr/>                         |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| State Farm Mutual Auto*       |   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 1995                          | 2404  | 1969 | 2189 | 2620 | 2189 | 1842 | 1820 | 1995 | 1697 | 1364 | 1313 | 1408 | 1359 | 1490 | 2110 | 1484 |
| 1996                          | 2495  | 2058 | 2266 | 2751 | 2266 | 2025 | 1755 | 1873 | 1656 | 1408 | 1368 | 1498 | 1442 | 1640 | 2263 | 1504 |
| 1999                          | 3987  | 3332 | 3719 | 4235 | 3719 | 2481 | 1783 | 1665 | 1847 | 1689 | 1341 | 1478 | 1450 | 2034 | 2557 | 1758 |

# BASE RATES LISTED BY COMPANY, YEAR AND TERRITORY

COMPANY NAME SWD NWD NCD SCD NED PON MAC WDT YPSI LAN KAL TRA MAR SAG FLI GRA

## TIG Ins Corp of America

|      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 1995 | 2792 | 2290 | 2540 | 3126 | 2540 | 2134 | 2284 | 2284 | 1724 | 1628 | 1536 | 1496 | 1498 | 1774 | 2366 | 1506 |
| 1996 | 2472 | 2020 | 2260 | 2650 | 2060 | 1868 | 2020 | 2020 | 1528 | 1436 | 1354 | 1278 | 1312 | 1558 | 2072 | 1364 |
| 1999 | 3184 | 2496 | 2860 | 3420 | 2860 | 2174 | 2508 | 2496 | 1660 | 1526 | 1462 | 1316 | 1430 | 1586 | 2560 | 1468 |

## Titan Insurance Co

|      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 1995 | 5412 | 5412 | 5940 | 5940 | 5412 | 4860 | 5104 | 5412 | 4500 | 4536 | 4594 | 4682 | 4682 | 4588 | 4588 | 4594 |
| 1996 | 5448 | 5448 | 5990 | 5990 | 5448 | 4884 | 5134 | 5448 | 4518 | 4602 | 4610 | 4700 | 4700 | 4604 | 4604 | 4610 |
| 1999 | 5884 | 6254 | 7110 | 7110 | 6756 | 4638 | 5084 | 4668 | 4396 | 4566 | 4274 | 4696 | 4664 | 4556 | 4560 | 4360 |

## Notes to all examples:

\*Membership fee may apply. Cost of membership is not included in the premium quotation.

\*\*Company was not authorized in Michigan until June of 1995 or later.

+May reflect variation due to company program specifications.

#As of 1/99 rate is only available if the company is contacted directly without the assistance of an agent.

Previous rates were identical to other Foremost rates.

■ equals decrease in premium from 1995 data; all other rates remain the same or increase

■ equals decrease in premium from 1996 data; all other rates remain the same or increase



# COMPARISON OF BASE RATES FROM 1995 TO 1999 LISTED BY COMPANY

| COMPANY NAME                  | SWD   | NWD    | NCD   | SCD   | NED   | PON   | MAC   | WDT    | YPSI  | LAN   | KAL    | TRA   | MAR    | SAG   | FLI   | GRA   |
|-------------------------------|-------|--------|-------|-------|-------|-------|-------|--------|-------|-------|--------|-------|--------|-------|-------|-------|
| <b>Allstate Ins Co</b>        |       |        |       |       |       |       |       |        |       |       |        |       |        |       |       |       |
| 1995                          | 3039  | 2315   | 2761  | 3335  | 2315  | 2537  | 2127  | 1955   | 1955  | 1853  | 1647   | 1647  | 1647   | 1951  | 2211  | 1647  |
| 1996                          | 3232  | 2932   | 3232  | 3555  | 2932  | 2699  | 2239  | 2239   | 2052  | 1950  | 1724   | 1724  | 1724   | 2045  | 2342  | 1724  |
| Difference 1995-96            | 6.4%  | 26.7%  | 17.1% | 6.6%  | 26.7% | 6.4%  | 5.3%  | 14.5%  | 5.0%  | 5.2%  | 4.7%   | 4.7%  | 4.7%   | 4.8%  | 5.9%  | 4.7%  |
| 1999                          | 4774  | 3920   | 4526  | 5072  | 3978  | 3018  | 2666  | 2542   | 2608  | 2248  | 2054   | 2150  | 2172   | 2400  | 2744  | 2448  |
| Difference 1996-99            | 47.7% | 33.7%  | 40.0% | 42.7% | 35.7% | 11.8% | 20.0% | 13.5%  | 27.1% | 15.3% | 19.1%  | 24.7% | 26.0%  | 17.4% | 17.2% | 42.0% |
| Difference 1995-99            | 57.1% | 69.3%  | 63.9% | 52.1% | 71.8% | 19.0% | 26.3% | 30.0%  | 33.4% | 21.3% | 24.7%  | 30.5% | 31.9%  | 23.0% | 24.1% | 48.6% |
| <b>Auto Club Ins Assn*</b>    |       |        |       |       |       |       |       |        |       |       |        |       |        |       |       |       |
| 1995                          | 3478  | 2946   | 3274  | 3478  | 2252  | 2159  | 1912  | 1912   | 2126  | 1687  | 1566   | 1566  | 1566   | 1934  | 2625  | 1687  |
| 1996                          | 3688  | 3123   | 3471  | 3688  | 2383  | 2284  | 2022  | 2022   | 2249  | 1782  | 1651   | 1651  | 1651   | 2044  | 2781  | 1782  |
| Difference 1995-96            | 6.0%  | 6.0%   | 6.0%  | 6.0%  | 5.8%  | 5.8%  | 5.8%  | 5.8%   | 5.8%  | 5.6%  | 5.4%   | 5.4%  | 5.4%   | 5.7%  | 5.9%  | 5.6%  |
| 1999                          | 4380  | 2410   | 3183  | 4380  | 2274  | 2708  | 2003  | 1801   | 2211  | 1801  | 1548   | 1548  | 1548   | 2477  | 2982  | 1801  |
| Difference 1996-99            | 18.8% | -22.8% | -9.0% | 18.8% | -4.5% | 18.6% | -0.9% | -10.9% | -1.6% | 1.1%  | -6.2%  | -6.2% | -11.0% | 21.2% | 7.2%  | 1.1%  |
| Difference 1995-99            | 25.9% | -18.2% | -3.5% | 25.9% | 1.0%  | 25.4% | 4.8%  | -5.8%  | 4.1%  | 6.8%  | -1.1%  | -1.1% | -6.2%  | 28.1% | 13.6% | 6.8%  |
| <b>Auto-Owners Ins Co</b>     |       |        |       |       |       |       |       |        |       |       |        |       |        |       |       |       |
| 1995                          | 2692  | 2104   | 2303  | 2692  | 2104  | 1861  | 1893  | 1573   | 1651  | 1459  | 1467   | 1311  | 1379   | 1708  | 2487  | 1486  |
| 1996                          | 2753  | 2141   | 2380  | 2753  | 2141  | 1907  | 1940  | 1602   | 1686  | 1480  | 1492   | 1321  | 1398   | 1745  | 2575  | 1509  |
| Difference 1995-96            | 2.3%  | 1.8%   | 3.3%  | 2.3%  | 1.8%  | 2.5%  | 2.5%  | 1.8%   | 2.1%  | 1.4%  | 1.7%   | 0.8%  | 1.4%   | 2.2%  | 3.5%  | 1.5%  |
| 1999                          | 3106  | 2298   | 2714  | 3106  | 2298  | 2160  | 2102  | 1672   | 1758  | 1520  | 1483   | 1338  | 1426   | 1822  | 2645  | 1566  |
| Difference 1996-99            | 12.8% | 7.3%   | 14.0% | 12.8% | 7.3%  | 13.3% | 8.4%  | 4.4%   | 4.3%  | 2.7%  | -0.5%  | 1.3%  | 2.0%   | 4.4%  | -1.1% | 3.8%  |
| Difference 1995-99            | 15.4% | 9.2%   | 17.8% | 15.4% | 9.2%  | 16.1% | 11.0% | 6.3%   | 6.5%  | 4.2%  | 1.2%   | 2.1%  | 3.4%   | 6.7%  | 2.4%  | 5.4%  |
| <b>Citizens Insurance Co.</b> |       |        |       |       |       |       |       |        |       |       |        |       |        |       |       |       |
| 1995                          | 2622  | 1934   | 2367  | 2766  | 1934  | 1744  | 1744  | 1493   | 1493  | 1412  | 1357   | 1276  | 1335   | 1577  | 2014  | 1276  |
| 1996                          | 2894  | 2126   | 2612  | 2894  | 2126  | 1688  | 1688  | 1436   | 1522  | 1300  | 1266   | 1197  | 1300   | 1522  | 1970  | 1205  |
| Difference 1995-96            | 10.4% | 9.9%   | 10.4% | 4.6%  | 9.9%  | -3.2% | -3.2% | -3.8%  | 1.9%  | -7.9% | -6.7%  | -6.2% | -2.6%  | -3.5% | -2.2% | -5.6% |
| 1999                          | 3617  | 3484   | 4021  | 4021  | 3617  | 2030  | 1641  | 1532   | 1860  | 1501  | 1477   | 1252  | 1361   | 1860  | 2333  | 1319  |
| Difference 1996-99            | 25.0% | 63.9%  | 53.9% | 38.9% | 70.1% | 20.3% | -2.6% | 6.7%   | 22.2% | 15.5% | -7.0%  | 4.6%  | 4.7%   | 22.2% | 18.4% | 9.5%  |
| Difference 1995-99            | 37.9% | 80.1%  | 69.9% | 45.4% | 87.0% | 16.4% | -5.7% | 2.6%   | 24.6% | 6.3%  | -13.3% | -1.9% | 1.9%   | 17.9% | 15.8% | 3.4%  |

# COMPARISON OF BASE RATES FROM 1995 TO 1999 LISTED BY COMPANY

| COMPANY NAME             | SWD    | NWD   | NCD    | SCD    | NED    | PON    | MAC    | WDT    | YPSI   | LAN    | KAL    | TRA    | MAR    | SAG    | FLI    | GRA    |
|--------------------------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Continental Ins Co (CNA) |        |       |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1995                     | 2640   | 2091  | 2344   | 3004   | 2344   | 3004   | 2243   | 2091   | 1528   | 1566   | 1486   | 1842   | 1647   | 1773   | 1793   | 1633   |
| 1996                     | 2162   | 1904  | 1989   | 2341   | 1989   | 1846   | 1848   | 1756   | 1718   | 1565   | 1423   | 1446   | 1412   | 1727   | 1952   | 1496   |
| Difference 1995-96       | -18.1% | -8.9% | -15.1% | -22.1% | -15.1% | -38.5% | -17.6% | -16.0% | 12.4%  | 1.2%   | -4.2%  | -21.5% | -14.3% | -2.6%  | 8.9%   | -8.4%  |
| 1999                     | 2378   | 3270  | 4279   | 4470   | 2165   | 2395   | 2237   | 2378   | 1756   | 1793   | 1666   | 1748   | 1868   | 1869   | 2464   | 1780   |
| Difference 1996-99       | 10.0%  | 71.7% | 115.1% | 90.9%  | 8.8%   | 29.7%  | 21.0%  | 35.4%  | 2.2%   | 13.1%  | 17.1%  | 20.9%  | 32.3%  | 8.2%   | 26.2%  | 19.0%  |
| Difference 1995-99       | -9.9%  | 56.4% | 82.6%  | 48.8%  | -7.6%  | -20.3% | -0.3%  | 13.7%  | 14.9%  | 14.5%  | 12.1%  | -5.1%  | 13.4%  | 5.4%   | 37.4%  | 9.0%   |
| Farm Bureau*             |        |       |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1995+                    | 2776   | 2233  | 2421   | 2776   | 2421   | 2130   | 2149   | 2027   | 1744   | 1576   | 1427   | 1386   | 1679   | 1591   | 2184   | 1458   |
| 1996                     | 3056   | 2467  | 2546   | 3056   | 2546   | 2322   | 2275   | 2191   | 1836   | 1683   | 1505   | 1466   | 1635   | 1761   | 2381   | 1599   |
| Difference 1995-96       | 10.1%  | 10.5% | 5.2%   | 10.1%  | 5.2%   | 9.0%   | 5.9%   | 8.1%   | 5.3%   | 6.8%   | 5.5%   | 5.8%   | -2.6%  | 10.7%  | 9.0%   | 9.7%   |
| 1999                     | 4282   | 4282  | 4282   | 4282   | 4282   | 2478   | 2452   | 2544   | 1842   | 1666   | 1579   | 1268   | 1517   | 2070   | 2555   | 1788   |
| Difference 1996-99       | 40.1%  | 73.6% | 68.2%  | 40.1%  | 68.2%  | 6.7%   | 7.8%   | 16.1%  | 0.3%   | -1.0%  | 4.9%   | -14.3% | -7.2%  | 17.5%  | 7.3%   | 11.8%  |
| Difference 1995-99       | 54.3%  | 91.8% | 76.9%  | 54.3%  | 76.9%  | 16.3%  | 14.1%  | 25.5%  | 5.6%   | 5.7%   | 10.7%  | -9.4%  | -9.6%  | 30.1%  | 17.0%  | 22.6%  |
| Farmers Ins Exchange*    |        |       |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1995                     | 2328   | 2123  | 2556   | 2556   | 2328   | 2123   | 1975   | 1938   | 1622   | 1622   | 1487   | 1366   | 1366   | 1771   | 1938   | 1487   |
| 1996+                    | 2614   | 2374  | 2614   | 2614   | 2374   | 2158   | 2374   | 2158   | 1787   | 1787   | 1488   | 1488   | 1488   | 1963   | 2158   | 1488   |
| Difference 1995-96       | 12.3%  | 11.8% | 2.3%   | 2.3%   | 2.0%   | 1.6%   | 20.2%  | 11.4%  | 10.2%  | 10.2%  | 0.1%   | 8.9%   | 8.9%   | 10.8%  | 11.4%  | 0.1%   |
| 1999+                    | 4312   | 3840  | 3897   | 4312   | 3897   | 3371   | 3709   | 2257   | 2329   | 2410   | 2231   | 2082   | 1927   | 2535   | 2755   | 2222   |
| Difference 1996-99       | 65.0%  | 61.8% | 49.1%  | 65.0%  | 64.2%  | 56.2%  | 56.2%  | 4.6%   | 30.3%  | 34.9%  | 49.9%  | 39.9%  | 29.5%  | 27.7%  | 27.7%  | 49.3%  |
| Difference 1995-99       | 85.2%  | 80.9% | 52.5%  | 68.7%  | 67.4%  | 58.8%  | 87.8%  | 16.5%  | 43.6%  | 48.6%  | 50.0%  | 52.4%  | 41.1%  | 43.1%  | 42.2%  | 49.4%  |
| Foremost Ins. Co.        |        |       |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1995                     | 2713   | 2446  | 2713   | 2993   | 2713   | 2205   | 2205   | 2446   | 1502   | 1757   | 1382   | 1459   | 1502   | 1783   | 2205   | 1609   |
| 1996                     | 2857   | 2568  | 2857   | 3159   | 2857   | 2307   | 2307   | 2568   | 1546   | 1822   | 1415   | 1499   | 1546   | 1850   | 2307   | 1662   |
| Difference 1995-96       | 5.3%   | 5.0%  | 5.3%   | 5.5%   | 5.3%   | 4.6%   | 4.6%   | 5.0%   | 2.9%   | 3.7%   | 2.4%   | 2.7%   | 2.9%   | 3.8%   | 4.6%   | 3.3%   |
| Fore. Signature 1999     | 2995   | 2694  | 2995   | 2995   | 2995   | 1915   | 1992   | 2010   | 1313   | 1837   | 1415   | 1078   | 1280   | 1327   | 1701   | 1415   |
| Difference 1996-99       | 4.8%   | 4.9%  | 4.8%   | -5.2%  | 4.8%   | -17.0% | -22.3% | -21.6% | -15.1% | -26.6% | -19.1% | -28.1% | -17.2% | -28.4% | -26.3% | -29.2% |
| Difference 1995-99       | 10.4%  | 10.1% | 10.4%  | 0.1%   | 10.4%  | -13.2% | -18.7% | -17.7% | -12.6% | -23.9% | -17.1% | -26.1% | -14.8% | -25.7% | -22.9% | -26.8% |
| Fore. Pro & Cas# 1999    | 2538   | 2570  | 2538   | 2538   | 2538   | 1597   | 1678   | 1701   | 1157   | 1719   | 1008   | 949    | 1323   | 1457   | 1298   | 1008   |

# COMPARISON OF BASE RATES FROM 1995 TO 1999 LISTED BY COMPANY

| COMPANY NAME            | SWD   | NWD   | NCD   | SCD    | NED   | PON    | MAC    | WDT    | YPSI   | LAN    | KAL    | TFA    | MAR    | SAG    | FLI   | GRA    |
|-------------------------|-------|-------|-------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|
| Frankenmuth Ins. Co.    |       |       |       |        |       |        |        |        |        |        |        |        |        |        |       |        |
| 1995                    | 2948  | 2948  | 2948  | 2948   | 2948  | 2370   | 2532   | 2532   | 1926   | 1696   | 1696   | 1610   | 1478   | 1832   | 2194  | 1646   |
| 1996                    | 3276  | 3276  | 3276  | 3276   | 3276  | 2678   | 2822   | 2822   | 1870   | 1708   | 1708   | 1494   | 1654   | 2026   | 2678  | 1708   |
| Difference 1995-96      | 11.1% | 11.1% | 11.1% | 11.1%  | 11.1% | 13.0%  | 11.5%  | 11.5%  | -2.9%  | 0.7%   | 0.7%   | -7.2%  | 11.9%  | 10.6%  | 22.1% | 3.8%   |
| 1999                    | 3420  | 3420  | 3420  | 3420   | 3420  | 2686   | 2214   | 2214   | 1674   | 1470   | 1470   | 1236   | 1246   | 1872   | 2686  | 1776   |
| Difference 1996-99      | 4.4%  | 4.4%  | 4.4%  | 4.4%   | 4.4%  | 0.3%   | -21.5% | -21.5% | -10.5% | -13.9% | -13.9% | -17.3% | -12.6% | -7.6%  | 0.3%  | -13.9% |
| Difference 1995-99      | 16.0% | 16.0% | 16.0% | 16.0%  | 16.0% | 13.3%  | -12.6% | -12.6% | -13.1% | -13.3% | -13.3% | -23.2% | -2.2%  | 2.2%   | 22.4% | -10.7% |
| Hastings Mutual Ins Co  |       |       |       |        |       |        |        |        |        |        |        |        |        |        |       |        |
| 1995                    | 2300  | 2106  | 2118  | 2364   | 2118  | 1858   | 1820   | 2106   | 1722   | 1536   | 1544   | 1354   | 1386   | 1538   | 1974  | 1490   |
| 1996                    | 3000  | 2514  | 2710  | 3314   | 2710  | 2190   | 2320   | 2514   | 1826   | 1626   | 1638   | 1420   | 1456   | 1560   | 2190  | 1684   |
| Difference 1995-96      | 30.4% | 19.4% | 28.0% | 40.2%  | 28.0% | 17.9%  | 27.5%  | 19.4%  | 6.0%   | 5.9%   | 6.1%   | 4.9%   | 5.1%   | 1.4%   | 10.9% | 13.0%  |
| 1999                    | 4474  | 3728  | 4024  | 5032   | 4024  | 3032   | 3328   | 3728   | 1872   | 1802   | 1814   | 1590   | 1804   | 1790   | 3484  | 2216   |
| Difference 1996-99      | 49.1% | 48.3% | 48.5% | 51.8%  | 48.5% | 38.4%  | 43.4%  | 48.3%  | 2.5%   | 10.8%  | 10.7%  | 12.0%  | 23.9%  | 14.7%  | 59.1% | 31.6%  |
| Difference 1995-99      | 94.5% | 77.0% | 90.0% | 112.9% | 90.0% | 63.2%  | 82.9%  | 77.0%  | 8.7%   | 17.3%  | 17.5%  | 17.4%  | 30.2%  | 16.4%  | 76.5% | 48.7%  |
| Lake States Ins Co      |       |       |       |        |       |        |        |        |        |        |        |        |        |        |       |        |
| 1995                    | 2580  | 2138  | 2580  | 2580   | 2138  | 1944   | 1944   | 1614   | 1614   | 1380   | 1314   | 1286   | 1286   | 1818   | 2138  | 1314   |
| 1996                    | 2764  | 2764  | 2764  | 2504   | 2764  | 2092   | 2020   | 1358   | 2020   | 1358   | 1276   | 1120   | 1120   | 2764   | 2764  | 1276   |
| Difference 1995-96      | 7.1%  | 29.3% | 7.1%  | -2.9%  | 29.3% | 7.6%   | 3.9%   | -15.9% | 25.2%  | -1.6%  | -2.9%  | -12.9% | -12.9% | 52.0%  | 29.3% | -2.9%  |
| 1999                    | 3166  | 3166  | 3166  | 2758   | 3166  | 2258   | 2182   | 1510   | 1816   | 1416   | 1386   | 1278   | 1440   | 3166   | 3166  | 1372   |
| Difference 1996-99      | 14.5% | 14.5% | 14.5% | 10.1%  | 14.5% | 7.9%   | 8.0%   | 11.2%  | -5.1%  | 4.3%   | 8.6%   | 14.1%  | 28.6%  | -21.3% | 14.5% | 7.5%   |
| Difference 1995-99      | 22.7% | 48.1% | 22.7% | 6.9%   | 48.1% | 16.2%  | 12.2%  | -6.4%  | 18.7%  | 2.6%   | 5.5%   | -0.6%  | 12.0%  | 19.7%  | 48.1% | 4.4%   |
| Michigan Millers Mutual |       |       |       |        |       |        |        |        |        |        |        |        |        |        |       |        |
| 1995                    | 2562  | 2113  | 2344  | 2562   | 2344  | 1708   | 1897   | 1897   | 1373   | 1241   | 1384   | 1179   | 1258   | 1453   | 1944  | 1313   |
| 1996                    | 2485  | 2183  | 2183  | 2643   | 2485  | 1532   | 1771   | 1936   | 1311   | 1153   | 1310   | 1106   | 1177   | 1388   | 1979  | 1239   |
| Difference 1995-96      | -3.0% | 3.3%  | -6.9% | 3.2%   | 6.0%  | -10.3% | -6.6%  | 2.1%   | -4.5%  | -7.1%  | -5.3%  | -6.2%  | -6.4%  | -4.5%  | 1.8%  | -5.7%  |
| 1999                    | 3568  | 2880  | 3152  | 3674   | 3152  | 2230   | 2392   | 2450   | 1538   | 1414   | 1656   | 1306   | 1382   | 1636   | 2552  | 1526   |
| Difference 1996-99      | 43.6% | 31.9% | 44.4% | 35.2%  | 26.8% | 45.6%  | 35.1%  | 26.5%  | 17.3%  | 22.6%  | 26.4%  | 18.1%  | 17.4%  | 17.9%  | 29.0% | 23.3%  |
| Difference 1995-99      | 39.3% | 36.3% | 34.5% | 39.5%  | 34.5% | 30.6%  | 26.1%  | 29.2%  | 12.0%  | 13.9%  | 19.7%  | 10.8%  | 9.9%   | 12.6%  | 31.3% | 16.2%  |

# COMPARISON OF BASE RATES FROM 1995 TO 1999 LISTED BY COMPANY

| COMPANY NAME                  | SWD   | NWD    | NCD    | SCD    | NED    | PON    | MAC    | WDT    | YPSI   | LAN    | KAL    | TBA    | MAR    | SAG    | FLI    | GRA    |
|-------------------------------|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| MI Physicians Mut Liability** |   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1995                          | Authorized 6/15/95 - No premium until 1997 - Name change 7/8/98 to Mutual Ins. Corp. of America |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1996                          | Authorized 6/15/95 - No premium until 1997 - Name change 7/8/98 to Mutual Ins. Corp. of America |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| (MICOA) 1999                  | 3287  | 2617   | 3287   | 3287   | 2944   | 1970   | 1963   | 2971   | 1275   | 1497   | 1497   | 1380   | 1648   | 1656   | 2242   | 1535   |
| North Pointe Ins. Co.**       |   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1995                          | Authorized 6/15/95 - No premium until 1996  |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1996                          | 5434  | 5434   | 5894   | 5894   | 5434   | 4946   | 5360   | 5434   | 4512   | 4588   | 4602   | 4692   | 4692   | 4608   | 4608   | 4602   |
| 1999                          | 1563  | 1570   | 1170   | 5170   | 1554   | 1168   | 1618   | 1570   | 1865   | 1578   | 1800   | 1883   | 1838   | 1874   | 1884   | 1800   |
| Difference 1999-96            | -14.4%  | -14.1% | -12.3% | -12.3% | -14.4% | -15.7% | -13.8% | -14.1% | -14.3% | -15.5% | -17.4% | -17.1% | -17.1% | -15.7% | -15.7% | -17.4% |
| Pioneer State Mutual**        |   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1995                          | Authorized 6/26/96 - No premium until 1996  |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1996                          | 2563  | 2166   | 2563   | 2563   | 2563   | 1994   | 2389   | 2166   | 1546   | 1338   | 1338   | 1210   | 1332   | 1542   | 1858   | 1338   |
| 1999                          | 2321  | 1814   | 2384   | 2321   | 2321   | 1769   | 1914   | 1914   | 1382   | 1200   | 1153   | 1069   | 1200   | 1670   | 1640   | 1152   |
| Difference 1999-96            | -9.3%   | -11.6% | -9.3%  | -9.3%  | -9.3%  | -11.3% | -19.9% | -11.6% | -10.6% | -10.3% | -13.9% | -11.7% | -9.9%  | -10.6% | -11.7% | -13.9% |
| Progressive MI Ins Co**       |   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1995                          | n/a   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1996+                         | 1794  | 1702   | 1918   | 2326   | 1762   | 1582   | 1558   | 1730   | 1492   | 1244   | 1108   | 1208   | 1156   | 1232   | 1912   | 1272   |
| 1999                          | 2601  | 1812   | 2601   | 2601   | 2601   | 1864   | 1189   | 1490   | 1096   | 913    | 1862   | 1997   | 1440   | 1175   | 1743   | 1597   |
| Difference 1999-96            | 45.0%   | 6.5%   | 35.6%  | 11.8%  | 47.6%  | 17.8%  | -23.7% | -17.3% | -26.5% | -26.6% | -22.2% | -17.5% | -27.3% | -7.2%  | -10.4% | -22.4% |
| Secura Ins A Mutual Co        |   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1995                          | 2215  | 2117   | 2117   | 2215   | 1939   | 1841   | 1939   | 1841   | 1546   | 1343   | 1318   | 1314   | 1314   | 1460   | 1801   | 1277   |
| 1996                          | 2934  | 2934   | 2934   | 2934   | 2209   | 1866   | 2209   | 1692   | 1365   | 1379   | 1269   | 1489   | 1697   | 2145   | 1300   | 1300   |
| Difference 1996-95            | 32.5%   | 38.6%  | 38.6%  | 32.5%  | 51.3%  | -3.8%  | 20.0%  | -9.4%  | 1.6%   | 4.6%   | -3.4%  | 13.3%  | 16.2%  | 19.1%  | 1.8%   | 1.8%   |
| 1999                          | 4070  | 4070   | 4070   | 4070   | 4070   | 2668   | 2076   | 2668   | 1582   | 1542   | 1582   | 1460   | 1700   | 1898   | 1277   | 1506   |
| Difference 1999-96            | 38.7%   | 38.7%  | 38.7%  | 38.7%  | 38.7%  | 20.8%  | 11.3%  | 20.8%  | -7.7%  | 13.0%  | 14.7%  | 15.1%  | 14.2%  | 11.8%  | -14.0% | 15.8%  |
| Difference 1995-99            | 83.7%   | 92.3%  | 92.3%  | 83.7%  | 109.9% | 44.9%  | 7.1%   | 44.9%  | 1.0%   | 14.8%  | 20.0%  | 11.1%  | 29.4%  | 30.0%  | 2.4%   | 17.9%  |

# COMPARISON OF BASE RATES FROM 1995 TO 1999 LISTED BY COMPANY

| COMPANY NAME            | SWD    | NWD    | NCD    | SCD    | NED    | PON    | MAC    | WDT    | YPSI   | LAN    | KAL    | TRA    | MAR    | SAG    | FLI    | GRA   |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| State Farm Mutual Auto* |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 1995                    | 2404   | 1969   | 2189   | 2620   | 2189   | 1842   | 1820   | 1995   | 1697   | 1364   | 1313   | 1408   | 1359   | 1490   | 2110   | 1484  |
| 1996                    | 2495   | 2058   | 2266   | 2751   | 2266   | 2025   | 1755   | 1873   | 1656   | 1408   | 1368   | 1498   | 1442   | 1640   | 2263   | 1504  |
| Difference 1995-96      | 3.8%   | 4.5%   | 3.5%   | 5.0%   | 3.5%   | 9.9%   | -3.6%  | -6.1%  | -2.4%  | 3.2%   | 4.2%   | 6.4%   | 6.1%   | 10.1%  | 7.3%   | 1.3%  |
| 1999                    | 3987   | 3332   | 3719   | 4235   | 3719   | 2481   | 1783   | 1585   | 1847   | 1689   | 1311   | 1778   | 1450   | 2034   | 2557   | 1758  |
| Difference 1996-99      | 59.8%  | 61.9%  | 64.1%  | 53.9%  | 64.1%  | 22.5%  | 1.6%   | -11.1% | 11.5%  | 20.0%  | -2.0%  | -1.3%  | 0.6%   | 24.0%  | 13.0%  | 16.9% |
| Difference 1995-99      | 65.8%  | 69.2%  | 69.9%  | 61.6%  | 69.9%  | 34.7%  | -2.0%  | -16.5% | 8.8%   | 23.8%  | 2.1%   | 5.0%   | 6.7%   | 36.5%  | 21.2%  | 18.5% |
| TIG Ins Corp of America |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 1995                    | 2792   | 2290   | 2540   | 3126   | 2540   | 2134   | 2284   | 2284   | 1724   | 1628   | 1536   | 1496   | 1498   | 1774   | 2366   | 1506  |
| 1996                    | 2472   | 2020   | 2260   | 2650   | 2060   | 1868   | 2020   | 2020   | 1528   | 1436   | 1354   | 1278   | 1312   | 1558   | 2072   | 1364  |
| Difference 1995-96      | -11.5% | -11.8% | -11.0% | -15.2% | -18.9% | -12.5% | -11.6% | -11.6% | -11.4% | -11.8% | -11.8% | -14.6% | -12.4% | -12.2% | -12.4% | -9.4% |
| 1999                    | 3184   | 2496   | 2860   | 3420   | 2860   | 2174   | 2508   | 2496   | 1660   | 1526   | 1462   | 1316   | 1430   | 1586   | 2560   | 1468  |
| Difference 1996-99      | 28.8%  | 23.6%  | 26.5%  | 29.1%  | 38.8%  | 16.4%  | 24.2%  | 23.6%  | 8.6%   | 6.3%   | 8.0%   | 3.0%   | 9.0%   | 1.8%   | 23.6%  | 7.6%  |
| Difference 1995-99      | 14.0%  | 9.0%   | 12.6%  | 9.4%   | 12.6%  | 1.9%   | 9.8%   | 9.3%   | -3.7%  | -6.3%  | -4.8%  | -12.0% | -4.5%  | -10.6% | 8.2%   | -2.5% |
| Titan Insurance Co      |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 1995                    | 5412   | 5412   | 5940   | 5940   | 5412   | 4860   | 5104   | 5412   | 4500   | 4536   | 4594   | 4682   | 4682   | 4588   | 4588   | 4594  |
| 1996                    | 5448   | 5448   | 5990   | 5990   | 5448   | 4884   | 5134   | 5448   | 4518   | 4602   | 4610   | 4700   | 4700   | 4604   | 4604   | 4610  |
| Difference 1995-96      | 0.7%   | 0.7%   | 0.8%   | 0.8%   | 0.7%   | 0.5%   | 0.6%   | 0.7%   | 0.4%   | 1.5%   | 0.3%   | 0.4%   | 0.4%   | 0.3%   | 0.3%   | 0.3%  |
| 1999                    | 5884   | 6254   | 7110   | 7110   | 6756   | 4538   | 5084   | 4668   | 4396   | 4588   | 4271   | 4898   | 4644   | 4558   | 4560   | 4560  |
| Difference 1996-99      | 8.0%   | 14.8%  | 18.7%  | 18.7%  | 24.0%  | -5.0%  | -1.0%  | -14.3% | -2.7%  | -0.8%  | -7.3%  | -0.1%  | -0.8%  | -1.0%  | -1.0%  | -5.4% |
| Difference 1995-99      | 8.7%   | 15.6%  | 19.7%  | 19.7%  | 24.8%  | -4.6%  | -0.4%  | -13.7% | -2.3%  | 0.7%   | -7.0%  | 0.3%   | -0.4%  | -0.7%  | -0.6%  | -5.1% |

Notes to all examples:

\*Membership fee may apply. Cost of membership is not included in the premium quotation.

\*\*Company was not authorized in Michigan until June of 1995 or later.

+May reflect variation due to company program specifications.

#As of 1/99 rate is only available if the company is contacted directly without the assistance of an agent.

Previous rates were identical to other Foremost rates.

equals decrease in premium from 1995 data, all other rates remain the same or increase equals decrease in premium from 1996 data, all other rates remain the same or increase

### **Auto Premium Observations**

Based on the previous data, it appears a number of insurance companies have decreased premiums since the removal of the territorial constraints. For example, Continental Insurance Company decreased premiums for all 16 territories from 1995 to 1996. North Pointe Insurance Company and Pioneer State Mutual Insurance Company (Michigan domestic companies) decreased their premiums for all territories from 1996 to 1999. The data also indicate a number of companies had substantial increases in premium during the surveyed period.

The data includes four companies authorized to sell auto insurance since 1995: Mutual Insurance Corporation of America (formerly known as Michigan Physicians Mutual Liability Insurance Company), North Pointe Insurance Company, Pioneer State Mutual Insurance Company, and Progressive Michigan Insurance Company.

Most importantly, the data shows that a wide range of insurance premium prices are available to all residents of Michigan. For instance, residents of Southwest Detroit have rates available to them from the surveyed companies ranging from \$2,324 to \$5,884 annually. Those consumers who seek rate quotations from multiple companies are able to find a lower rate than those residents who don't seek multiple quotes.

### **Number of Different Territorial Base Rates**

Under the previous EIA territorial constraints, an auto insurer could have no more than 20 different territorial base rates. However, some companies used different territorial base rates for each coverage type (e.g. comprehensive, collision, personal injury protection) and may have used up to 20 different base rates for each type of coverage.

### ***Summary***

Regardless of which of the above methods was used, all but two of the companies increased the number of its different territorial base rates following the approval of PA 98. Frankenmuth Insurance Company decreased its number of base rates from 20 to 17 and Pioneer State Mutual Insurance Company maintained 20 base rates, the same number it used prior to the removal of the territorial constraints.

Also notable is that a number of companies used less than 20 different territorial base rates prior to 1996. Each has increased its territories to more than 20 since the passage of PA 98 constraints. These companies are Auto Club Insurance Association, Farmers Insurance Exchange, Lake States Insurance Company, North Pointe Insurance Company and Secura Insurance A Mutual Company.

### Lowest and Highest Territorial Base Rates

Under the original EIA territorial constraints, an auto insurer's lowest rated territorial base rate could not be less than 45% of its highest rated territorial base rate. This constraint was an attempt to prevent auto insurers from having a wide range between its lowest and highest base rated territories. Since the removal of this provision, each of the companies studied reported the following for its lowest and highest territorial base rates:

| <u>Insurance Company</u>   | <u>Lowest<br/>Base Rate</u> | <u>Highest<br/>Base Rate</u> | <u>Lowest Base Rate<br/>As % of<br/>Highest Base Rate</u> |
|--|-----------------------------|------------------------------|---|
| Allstate Insurance Company   | \$1,002                     | \$2,580                      | 38.8%   |
| Auto Club Insurance Association  | 907                         | 2,723                        | 33.3  |
| Auto-Owners Insurance Company  | 1,424                       | 3,302                        | 43.1  |
| Citizens Insurance Company   | 688                         | 2,870                        | 24.0  |
| Continental Insurance Company (CNA)  | 826                         | 2,050                        | 40.3  |
| Farm Bureau Insurance Companies  | 1,028                       | 3,556                        | 28.9  |
| Farmers Insurance Exchange   | 1,039                       | 2,355                        | 44.1  |
| Foremost Insurance Companies   | 782                         | 2,233                        | 35.0  |
| Frankenmuth Mutual Insurance Company   | 754                         | 2,142                        | 35.2  |
| Hastings Mutual Insurance Company  | 692                         | 2,340                        | 29.6  |
| Lake States Insurance Company  | 1,288                       | 3,366                        | 38.3  |
| Michigan Millers Mutual Insurance Co   | 1,131                       | 3,149                        | 35.9  |
| Mutual Insurance Corporation of America<br>(formerly Michigan Physicians Mutual Liability Insurance Company) | 678                         | 1,617                        | 41.9  |
| North Pointe Insurance Company   | 2,412                       | 3,392                        | 71.1  |
| Pioneer State Mutual Insurance Company   | 910                         | 1,842                        | 49.4  |
| Progressive MI Insurance Company   | 1,768                       | 6,441                        | 27.4  |
| Secura Insurance A Mutual Company  | 964                         | 2,788                        | 34.6  |
| State Farm Mutual Automobile Insurance Co  | 578                         | 2,066                        | 28.0  |
| TIG Insurance Corporation of America   | 950                         | 2,546                        | 37.3  |
| Titan Insurance Company  | 2,140                       | 3,928                        | 54.5  |

### *Summary*

Based on the above data, it appears that all but three of the companies now have at least one base rate that is less than 45% of its highest rated base rate, thereby widening the difference between the lowest and highest base rated territories. Each of the three companies--North Pointe Insurance Company, Pioneer State Mutual Insurance Company, and Titan Insurance Company--has reduced the difference between their highest and lowest rated territorial base rates.



### Adjacent Territorial Base Rates

Prior to 1996, the EIA prevented an auto insurer from having a rate in its lower rated adjacent territory less than 90% of the higher rated adjacent territory. This constraint was an attempt to prevent insurers from having more than a 10% difference in rates between adjacent territories. Since the removal of this constraint, each of the companies surveyed reported the following as the largest difference in base rates between its adjacent territories:

| <u>Insurance Company</u>   | <u>Lowest<br/>Adjacent<br/>Base Rate</u> | <u>Highest<br/>Adjacent<br/>Base Rate</u> | <u>Lowest Adjacent Base<br/>Rate As a % of Highest<br/>Adjacent Base Rate</u> |
|--|--|---|---|
| Allstate Insurance Company   | \$1,287                                  | \$2,436                                   | 52.8%   |
| Auto Club Insurance Association  | 1,171                                    | 2,068                                     | 56.6  |
| Auto-Owners Insurance Company  | 1,892                                    | 2,726                                     | 69.4  |
| Citizens Insurance Company   | 1,040                                    | 2,230                                     | 46.6  |
| Continental Insurance Company (CNA)  | 1,158                                    | 1,722                                     | 67.2  |
| Farm Bureau Insurance Companies  | 1,370                                    | 3,556                                     | 38.5  |
| Farmers Insurance Exchange   | 1,158                                    | 1,749                                     | 66.2  |
| Foremost Insurance Companies   | 1,493                                    | 2,233                                     | 66.9  |
| Frankenmuth Mutual Insurance Company   | 1,450                                    | 2,142                                     | 67.7  |
| Hastings Mutual Insurance Company  | 1,114                                    | 1,688                                     | 66.0  |
| Lake States Insurance Company  | 1,654                                    | 3,366                                     | 49.1  |
| Michigan Millers Mutual Insurance Co   | 1,460                                    | 2,123                                     | 68.8  |
| Mutual Insurance Corporation of America<br>(formerly Michigan Physicians Mutual Liability Insurance Company) | 964                                      | 1,617                                     | 59.6  |
| North Pointe Insurance Company   | 3,032                                    | 3,392                                     | 89.4  |
| Pioneer State Mutual Insurance Company   | 910                                      | 1,842                                     | 49.4  |
| Progressive MI Insurance Company   | 2,722                                    | 6,441                                     | 42.3  |
| Secura Insurance A Mutual Company  | 1,817                                    | 2,788                                     | 65.2  |
| State Farm Mutual Automobile Insurance Co  | 786                                      | 1,637                                     | 48.0  |
| TIG Insurance Corporation of America   | 1,410                                    | 2,008                                     | 70.0  |
| Titan Insurance Company  | 2,454                                    | 3,928                                     | 62.5  |

### *Summary*

None of the companies has maintained a difference of 10% or less between the company's lowest and highest adjacent base rates, thereby widening the difference between the lowest and highest rates in adjacent territories. It is noted, however, that North Pointe Insurance Company is slightly exceeding the original constraint by maintaining a difference of only 10.6% between its lowest and highest base rates in at least one adjacency relationship.

## General Conclusions for Auto Insurance Rates

As explained in the introduction of this report, the EIA was intended to moderate large rate increases in both auto and home insurance. The artificial constraints forced insurance companies to raise rates in the lower cost territories to meet the percentage standards of the law. The lower cost territories were forced to pay higher rates than required to pay actual losses in order to guarantee that the insurers would collect enough premium in the high cost areas to cover claims costs. Small insurers in particular were forced to make a decision to either concentrate their marketing efforts in urban or rural areas, but not both, depending upon where they felt they could be more competitive.

As a result, some smaller insurers withdrew from the higher cost markets in order to concentrate their marketing on the more stable, less costly suburban and rural markets in which they felt they could more successfully compete. As the smaller companies became less active in the urban market, the urban residents had fewer choices to purchase insurance for their cars and homes.

Public Act 98 of 1996 was enacted to remove the territorial rating constraints for auto and home insurers, encourage competition, and allow insurance to be offered at a price that most accurately reflects the cost of doing business in a particular area of the state. It was hoped that allowing companies to develop rates on an actual cost basis without statutorily imposed percentage constraints would result in more companies doing business in all areas of the state, thereby increasing the competitive effect of an increased presence of insurers and of insurance products in all areas of the state.

While auto insurance rates have generally risen across the state since the removal of territorial constraints, the increase is not entirely attributable to the removal of territorial constraints. It is easier to explore the effects of the removal of territorial constraints on auto insurance premiums by reviewing several of the objectives of the 1996 legislation.

1. **Allow insurers to base rates on actual risks** - One of the goals of Public Act 98 of 1996 was to allow insurers to base insurance rates on the actual risks in a particular territory.

This objective intended to eliminate areas with lower insurance costs, from subsidizing the higher cost territories. Obviously, there are predictable differences in costs between urban and rural areas based on traffic, theft rates, medical costs, auto repair expenses and other measurable factors. While it appears that several insurance companies actually decreased their premium in predominately urban territories, the majority of companies did increase rates in urban territories. This outcome is consistent with the increased risk and cost that companies experience in more populated areas of Michigan.

2. **New insurance companies** - One of the objectives of the legislation was to encourage new auto insurance companies to conduct business in Michigan.

Since February, 1996, at least eight new companies have filed programs to write auto insurance in Michigan. Four of these companies were surveyed as part of the Bureau's report: Mutual Insurance Corporation of America (formerly Michigan Physicians Mutual Liability Insurance Company), North Pointe Insurance Company, Pioneer State Mutual Insurance Company, and Progressive MI Insurance Company. It is impossible to verify that these companies entered the market specifically because of the removal of the territorial constraints. However, the addition of these auto insurance companies does offer consumers additional choices and increases competition. Also, anecdotal comments from representatives of insurance companies made to Bureau staff creates the impression that Michigan is a more attractive market to companies absent the statutory territorial constraints of the original EIA.

3. **Insurance availability at a reasonable cost in all areas of the state** - Ensuring that auto insurance is available to all residents of the state at a reasonable cost, regardless of their geographic location.

As indicated in the premium data, there is a wide range of premium rates available in all areas of the state. It is important to point out that although urban rates may *generally* be higher than rates in rural or suburban areas, lower premiums are available to all residents of the state. It is easy to see that actively shopping for insurance coverage can lead a consumer to a lower rate. For example, based on the companies surveyed, the couple who lives in North Central Detroit can pay as little as \$2,324 or as much as \$7,110 for the same coverage. The range of rates for the same couple in Lansing is from \$913 to \$4,566. This report only reflects the rates of a limited number of insurers and the premiums reflect carrying the optional insurance coverages of comprehensive and collision. Even more competitive rates may be available from other companies that were not surveyed in this report, or if a consumer chooses not to purchase collision and comprehensive protection for their vehicle.

A recent publication released by the National Association of Insurance Commissioners (NAIC) *State Average Expenditures and Premiums for Personal Automobile Insurance in 1997* compares the cost of mandatory auto insurance coverage between states. The report ranks states in order of average premium cost, ranging from the state with the highest average premium cost ranked 1<sup>st</sup> to the state with the lowest average premium cost ranked 51<sup>st</sup> (the District of Columbia is included in the report).

Michigan's average premium for mandatory no-fault coverage (excluding collision and comprehensive coverage) decreased approximately 7% from 1996 to a more favorable 38<sup>th</sup> place ranking in 1997, dropping Michigan from 32<sup>nd</sup> to 38<sup>th</sup> in cost of insurance. This is the largest percentage decrease in the country. The report reflects the average Michigan no-fault premium has dropped from approximately \$348 to \$326 during this period. Although these amounts do not reflect the cost of collision and comprehensive coverage, as does the premium data in the report, the ranking is even more impressive considering that Michigan is the only state in the country to pay unlimited medical benefit payments through its auto insurance.

Another factor reflecting increased insurance availability is the decrease in the number of policies written in the residual market, or the Michigan Automobile Insurance Placement Facility (MAIPF). The MAIPF is an organization designed to provide auto insurance to any qualified person who is unable to obtain insurance in the voluntary market. This is most likely to happen if an individual has several tickets or at-fault accidents or has been convicted of a serious violation such as driving under the influence of drugs or alcohol. It also may occur if the individual does not meet the requirements of a company's underwriting rules, such as having a lapse in insurance coverage, or if the company does not have a rate for a particular type of car, or if the car is expensive to repair or replace (for example, custom or antique cars). Therefore, if a driver is unable to find insurance in the voluntary market, or can only find it at an extremely high price, they may ask their agent to apply to the MAIPF to obtain insurance coverage.

Generally, as competition in the voluntary market increases, the number of persons in the residual market decreases. The number of applications submitted to the MAIPF in 1996 was 247,808. Since that time, the number of applications has decreased significantly to 144,169 applications in 1998. This decrease is a good indication that more individuals are finding coverage in the voluntary market due to increased competition and availability.

Many companies have changed their marketing methods and are now utilizing direct mail, toll-free telephone numbers, and the internet to attract policyholders and to increase insurance availability. These direct marketing methods ensure that consumers are able to obtain insurance directly with the company, regardless of the consumer's location or the availability of a licensed agent.

The use of premium discounts and the availability of group policies has increased in the last several years. These discounts and plans allow qualified individuals to obtain insurance at a reduced rate. The increase in these programs increases the number of individuals now qualifying for reduced premiums.

It is clear from the premium data that since 1996 insurance companies have chosen to establish rates based on data related specifically to the cost of insuring cars in a geographic location, rather than relying on the previous constraint limitations which caused cost shifting between geographic sections of the state. Using the current law in this manner has not limited the availability of insurance at a reasonable price. Upon careful review of the premium data of the surveyed companies, it is apparent that a wide range of territorial appropriate rates are available to the consumer who actively compares rates offered by different companies.

## HOME INSURANCE

As mentioned in the introduction to this report, insurers base their homeowners insurance rates on factors that greatly differ from those used by auto insurers. Insurers calculate their loss costs (cost per claim) on the actual amount they must pay to restore the insured's property or life back to its original status before an incident occurred. For example, if the insured's kitchen burns, the insurer usually pays to rebuild that portion of the structure to its original condition prior to the fire. If an insured is sued because their neighbor trips on their property, the insurer pays the amount of the suit up to the liability limit in the policy.

Costs relating to both types of claims have increased over the past few years. Inflation has affected the cost of material and labor for physical damages. Insurance companies must allow for these inflationary increases in the rates they charge to their customers. Urban areas tend to have higher costs than do more rural areas. Rates charged for home insurance in urban areas often reflect the higher costs these areas experience.

The loss costs the insurers use to develop rates also reflect the number of claims filed in a particular area. For example, due to denser population in urban areas the number of claims filed is greater than in a smaller, rural town. Rates need to reflect the increased number of claims filed in a particular area of the state.

After the insurer develops a base rate for a particular risk, it takes into account possible savings due to factors that may save the insurer money. Insurers offer discounts to customers meeting certain criteria. For example, newer homes have fewer fires than older homes because the homes' heating, wiring, and plumbing systems are newer and less likely to fail causing a covered loss. Insurers can offer discounts based on the year of construction. Also, they may offer discounts if the consumer has more than one type of policy with their company. The company saves money on acquisition, administration, and underwriting fees and can pass savings along to the customer. After applying discounts, the actual rate charged to the consumer may be far less than the published base rate.

Some insurers offer group discounts to their customers which also help reduce the amount of premium actually paid. Although the group home insurance policies do not fall under the regulation of the EIA, many insurers make it easy for consumers to use memberships in groups such as credit unions, employer groups, and associations to take advantage of a group discount. The insurer saves money in advertising, agent commissions, and administrative costs when marketing a policy to a large group of individuals.

The rates shown in this report do not reflect discounts and group rated plans.

When analyzing the data, it is important to remember that the law changed in order to facilitate the availability of insurance in areas that had fewer choices for insurance coverage and relatively higher rates for the coverage available. Insurers who did not market in some areas of the state for competitive reasons can now operate profitably statewide since they can price their insurance products based on actual losses and expenses, rather than at an artificially high rate or low rate due to the pre-1996 statutory mandates of the EIA.

The removal of the rating constraints allows all insurers to be more competitive across the state. Now all insurers can charge an appropriate rate for the coverage provided no matter where the property is located, increasing choices available to consumers.

Insurers have also used the discount provision of the law to help consumers learn how to reduce their own losses by using risk mitigation techniques. For example, one insurer offers discounts for those insureds who may have older homes but who upgrade the heating or wiring in the home. It provides an incentive that benefits both parties by saving the insurer claims costs and by allowing the homeowner to live in a safer home.

### Home Insurer Companies Studied

The statistical information gathered for this report is from the top twenty home insurers based on the annual amount of premium generated per company. Only companies subject to the EIA were surveyed, since those companies were the only ones affected by the removal of the territorial rating constraints. Smaller companies not subject to the EIA usually have underwriting and rating criteria that vary substantially from the EIA companies. Companies that write only group insurance policies also were excluded from the survey. Some companies write both individual and group policies. However, they were asked to provide premium amounts only for the individual policies. Group policies are also not constrained by the underwriting and rating statutes found in EIA. The following companies were selected for the home insurance portion of the report:

Allstate Insurance Co.  
American Economy Insurance Co.  
Auto Club Group Insurance Co.  
Auto-Owners Insurance Co.  
Citizens Insurance Co.  
Continental Insurance Co.  
Farm Bureau General Insurance Co.  
Fire Insurance Exchange  
Frankenmuth Mutual Insurance Co.  
Fremont Mutual Insurance Co.  
Hastings Mutual Insurance Co.  
Home Owners Insurance Company  
Michigan Millers Mutual Insurance Co.  
Pioneer State Mutual Insurance Co.  
Safeco Insurance Co. Of America  
Secura Insurance Co.  
State Farm Fire and Casualty Co.  
TIG Insurance Corporation of America  
Westfield Insurance Co.

State Farm General Insurance Company was included in the top 20 writers of home insurance in 1996 and 1998. However, this company no longer writes home insurance in Michigan. All home insurance business is placed with State Farm Fire and Casualty.

### Home Insurance Rating Territories

As explained previously in this report, each insurer divides the state into territories. No two companies have the same number of territories or the same geographic location described within territories. They use these regions as one rating factor to develop their final rate for home insurance. Each insurer attempts to combine homogeneous regions or territories under one territorial rating factor. For example, Flint, Saginaw, and Muskegon may have the same rating factors since they may have similar loss expenses.

When the 1996 home survey was completed, a cross section of urban, suburban, and rural areas were chosen from which to gather sample rates. A special survey of companies was done in 1999 for this report, since the Insurance Bureau conducts its home insurance survey on a biennial basis. The 1999 survey used the same territories as the 1996 survey.

The indicated rating territories also include the fire protection class code. Within each company's defined territory, fire protection capabilities of an area's fire department are used to assist in accurately rating the area. We wanted to provide a wide sampling of fire protection capabilities for insureds to compare to their own areas; therefore, when we defined the territory for each company to use we also defined the protection class code area.

Both territory and protection class significantly impact an area's loss experience. An area's loss experience reflects losses due to the location and the number and severity of fires in that region. For this reason, a wide cross section of territories is presented for comparison purposes.



### Home Insurance Survey Criteria – The Sample Family

The Insurance Bureau conducts a biennial home insurance survey to develop the Buyers' Guide to Home Insurance. For the survey, each company provides a final rate for home insurers in a specific area based on the type of home and specific value of the home. The Buyers Guide uses four samples and the consumer chooses the sample closest to their own situation to shop for the best rate among all insurers.

The sample chosen for this survey is identical to one used in the 1996 survey. Insurers were asked to use the same rating territory as used in the 1996 survey. No discounts were included in the final rate given for the example.

*Sample:* HO-3, a standard home insurance policy  
Single family dwelling  
Amount of Coverage: \$87,000  
Deductible: \$250  
Construction: Frame  
Medical Payment Limit: \$1,000  
Liability Limit: \$100,000

Since the territorial rating constraints were not removed until February 28, 1996, home insurers did not have time to remove that rating factor for the 1996 home survey which was completed in April of 1996. Therefore, 1996 constrained rates can be used to compare to the 1999 results.

### Home Insurance Territories

Prior to February 28, 1996, the EIA allowed home insurers to use three different territorial base rates when developing their final rates. Although many insurers had more than three geographic territories defined in their rating plans, all companies that had to comply with the EIA used only three territorial base rates. The lifting of the territorial rating constraints in 1996 allowed all companies to develop as many territorial base rates as they determined they needed for their program. Most companies took advantage of the change in the statute and now have many more than three territorial base rates:

|   | <u>1996</u> | <u>1999</u> |
|---|-------------|-------------|
| Allstate Insurance Co.                            | 3           | 25          |
| American Economy Insurance Co.                    | 3           | 4           |
| Auto Club Group Insurance Co.                     | 3           | 31          |
| Auto-Owners Insurance Co.                         | 3           | 17          |
| Citizens Insurance Co.                            | 3           | 16          |
| Continental Insurance Co.                         | 3           | 26          |
| Farm Bureau General Insurance Co.                 | 3           | 4           |
| Fire Insurance Exchange                           | 3           | 27          |
| Frankenmuth Mutual Insurance Co.                  | 3           | 5           |
| Fremont Mutual Insurance Co.                      | 3           | 6           |
| Hastings Mutual Insurance Co.                     | 3           | 7           |
| Home Owners Insurance Company                     | 3           | 17          |
| Michigan Millers Mutual Insurance Co.             | 3           | 18          |
| Pioneer State Mutual Insurance Co.                | 3           | 3           |
| Safeco Insurance Co. Of America                   | 3           | 12          |
| Secura Insurance Co.                              | 3           | 6           |
| State Farm Fire and Casualty Co.                  | 3           | 24          |
| TIG Insurance Corporation of America (Nationwide) | 3           | 26          |
| Westfield Insurance Co.                           | 3           | 22          |

The fact that companies use such varied territories for home insurance makes comparison of rates by territory more difficult than auto insurance.

In the 1999 survey, companies were asked to identify the number of territorial base rates used in 1996 and 1999 for five of Michigan's largest cities: Detroit, Flint, Grand Rapids, Kalamazoo, and Saginaw. This question was posed to determine if the removal of the constraints had resulted in a segmentation of those cities into smaller geographic territories. Most of these major insurers did not divide the cities into more territories. There are five exceptions to this general finding:

|              | <u>Citizens</u> |             | <u>Allstate</u> |             | <u>State Farm</u> |             |
|--------------|-----------------|-------------|-----------------|-------------|-------------------|-------------|
|              | <u>1996</u>     | <u>1999</u> | <u>1996</u>     | <u>1999</u> | <u>1996</u>       | <u>1999</u> |
| Detroit      | 3               | 4           | 3               | 3           | 2                 | 5           |
| Flint        | 3               | 3           | 2               | 3           | 1                 | 3           |
| Grand Rapids | 1               | 2           | 1               | 2           | 1                 | 3           |
| Kalamazoo    | 1               | 1           | 1               | 1           | 1                 | 2           |
| Saginaw      | 2               | 2           | 2               | 1           | 1                 | 3           |

  

|              | <u>MI Millers</u> |             | <u>Fire Insurance Exchange</u> |             |
|--------------|-------------------|-------------|--------------------------------|-------------|
|              | <u>1996</u>       | <u>1999</u> | <u>1996</u>                    | <u>1999</u> |
| Detroit      | 1                 | 3           | 2                              | 3           |
| Flint        | 2                 | 4           | 3                              | 3           |
| Grand Rapids | 1                 | 4           | 1                              | 3           |
| Kalamazoo    | 1                 | 1           | 1                              | 2           |
| Saginaw      | 2                 | 3           | 2                              | 3           |

### Home Insurance Territorial Rate Linkage

Prior to the 1996 change in the EIA rating constraints, insurers were allowed to have three territorial base rates for home insurance. In addition to the limited number of base rates, another constraint required that the lowest territorial base rate used could not be less than 70% of the highest territorial base rate. This ratio was required for all forms of home insurance except renters insurance, which allowed a 65% ratio. However, for the purposes of this survey, only the HO-3 standard homeowner's insurance policy was used to demonstrate changes that occurred in ratios. Prior to the removal of the rating constraints, all insurers listed below met the 70% ratio requirement. In 1999, a lower ratio was obtained for almost all companies.

|                                       | Lowest<br>1994<br><u>Rate</u> | Highest<br>1994<br><u>Rate</u> | <u>Percentage</u> |
|---------------------------------------|-------------------------------|--------------------------------|-------------------|
| Allstate Insurance Co.                | \$300                         | \$716                          | 42%               |
| American Economy Insurance Co.        | \$308                         | \$445                          | 69%               |
| Auto Club Group Insurance Co.         | \$237                         | \$481                          | 49%               |
| Auto-Owners Insurance Co.             | \$349                         | \$563                          | 62%               |
| Citizens Insurance Co.                | \$180                         | \$454                          | 40%               |
| Continental Insurance Co.             | \$356                         | \$516                          | 69%               |
| Farm Bureau General Insurance Co.     | \$335                         | \$662                          | 51%               |
| Fire Insurance Exchange               | \$322                         | \$672                          | 48%               |
| Frankenmuth Mutual Insurance Co.      | \$455                         | \$736                          | 62%               |
| Fremont Mutual Insurance Co.          | \$293                         | \$662                          | 44%               |
| Hastings Mutual Insurance Co.         | \$243                         | \$492                          | 49%               |
| Home Owners Insurance Company         | \$314                         | \$507                          | 62%               |
| Michigan Millers Mutual Insurance Co. | \$256                         | \$580                          | 44%               |
| Pioneer State Mutual Insurance Co.    | \$228                         | \$296                          | 77%               |
| Safeco Insurance Co. Of America       | \$170                         | \$365                          | 47%               |
| Secura Insurance Co.                  | \$238                         | \$375                          | 63%               |
| State Farm Fire and Casualty Co.      | \$342                         | \$731                          | 47%               |
| TIG Insurance Corporation of America  | \$479                         | \$749                          | 64%               |
| Westfield Insurance Co.               | \$189                         | \$310                          | 61%               |

Most insurers took the opportunity after 1996 to remove the 70% cap between lowest to highest rates charged across the state. These figures, in conjunction with the increased number of territories used, mean the insurers are segmenting the more accurately rated territories, but are creating a greater disparity in premium cost between the lowest and highest rated territories in the process.

# BASE RATES LISTED BY COMPANY, YEAR, AND TERRITORY

## EXAMPLE 1

| COMPANY NAME                    | BD AX  | DET   | FLI   | GR RP | KAL   | LAN   | MAR   | MT PL | PELL  | PON    | SAG   | TRCTY | WAR   | YPSI  | State |
|---------------------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|-------|
| State Farm Fire and Casualty Co |        |       |       |       |       |       |       |       |       |        |       |       |       |       |       |
| 1996                            | 319    | 539   | 446   | 319   | 319   | 319   | 277   | 277   | 411   | 446    | 343   | 277   | 277   | 277   | 346.1 |
| 1999                            | 404    | 797   | 583   | 321   | 321   | 321   | 341   | 351   | 640   | 651    | 321   | 341   | 334   | 341   | 433.4 |
|                                 | 26.6%  | 47.9% | 30.7% | 0.6%  | 0.6%  | 0.6%  | 23.1% | 26.7% | 55.7% | 46.0%  | -6.4% | 23.1% | 20.6% | 23.1% | 25.2% |
| Allstate Insurance Con          |        |       |       |       |       |       |       |       |       |        |       |       |       |       |       |
| 1996                            | 267    | 347   | 434   | 316   | 316   | 316   | 253   | 253   | 395   | 316    | 434   | 253   | 253   | 253   | 314.7 |
| 1999                            | 544    | 543   | 603   | 330   | 365   | 402   | 369   | 440   | 452   | 603    | 440   | 480   | 354   | 494   | 458.5 |
|                                 | 103.7% | 56.5% | 38.9% | 4.4%  | 15.5% | 27.2% | 45.8% | 73.9% | 14.4% | 90.8%  | 1.4%  | 89.7% | 39.9% | 95.3% | 45.7% |
| Citizens Ins. Co. of America    |        |       |       |       |       |       |       |       |       |        |       |       |       |       |       |
| 1996                            | 354    | 590   | 450   | 315   | 315   | 315   | 315   | 315   | 466   | 450    | 315   | 315   | 380   | 380   | 376.8 |
| 1999                            | 455    | 837   | 756   | 315   | 333   | 362   | 382   | 362   | 506   | 606    | 479   | 333   | 402   | 479   | 471.9 |
|                                 | 28.5%  | 41.9% | 68.0% | 0.0%  | 5.7%  | 14.9% | 21.3% | 14.9% | 8.6%  | 34.7%  | 52.1% | 5.7%  | 5.8%  | 26.1% | 25.3% |
| Auto Club Group Insurance Co.   |        |       |       |       |       |       |       |       |       |        |       |       |       |       |       |
| 1996                            | 265    | 723   | 382   | 246   | 257   | 269   | 246   | 246   | 364   | 382    | 382   | 246   | 233   | 246   | 320.5 |
| 1999                            | 328    | 1032  | 631   | 360   | 335   | 331   | 312   | 355   | 552   | 624    | 631   | 355   | 444   | 337   | 473.4 |
|                                 | 23.8%  | 42.7% | 65.2% | 46.3% | 30.4% | 23.0% | 26.8% | 44.3% | 51.6% | 63.4%  | 65.2% | 44.3% | 90.6% | 37.0% | 47.7% |
| Home Owners Insurance Co        |        |       |       |       |       |       |       |       |       |        |       |       |       |       |       |
| 1996                            | 293    | 636   | 434   | 304   | 304   | 304   | 259   | 259   | 418   | 434    | 368   | 259   | 398   | 259   | 352.1 |
| 1999                            | 328    | 719   | 501   | 341   | 341   | 341   | 291   | 291   | 459   | 487    | 416   | 276   | 446   | 291   | 394.9 |
|                                 | 11.9%  | 13.1% | 15.4% | 12.2% | 12.2% | 12.2% | 12.4% | 12.4% | 9.8%  | 12.2%  | 13.0% | 6.6%  | 12.1% | 12.4% | 12.2% |
| Fire Insurance Exchange         |        |       |       |       |       |       |       |       |       |        |       |       |       |       |       |
| 1996                            | 301    | 655   | 403   | 298   | 336   | 298   | 265   | 265   | 437   | 403    | 336   | 265   | 304   | 265   | 345.1 |
| 1999                            | 425    | 657   | 387   | 373   | 363   | 392   | 338   | 373   | 481   | 392    | 373   | 338   | 374   | 392   | 404.1 |
|                                 | 41.2%  | 0.3%  | -4.0% | 25.2% | 8.0%  | 31.5% | 27.5% | 40.8% | 10.1% | -2.7%  | 11.0% | 27.5% | 23.0% | 47.9% | 17.1% |
| Farm Bureau General Ins of MI   |        |       |       |       |       |       |       |       |       |        |       |       |       |       |       |
| 1996                            | 318    | 566   | 433   | 328   | 328   | 328   | 300   | 300   | 433   | 433    | 391   | 300   | 357   | 300   | 365.4 |
| 1999                            | 310    | 642   | 511   | 338   | 338   | 338   | 298   | 306   | 420   | 511    | 453   | 298   | 410   | 298   | 390.8 |
|                                 | -2.5%  | 13.4% | 18.0% | 3.0%  | 3.0%  | 3.0%  | -0.7% | 2.0%  | -3.0% | 18.0%  | 15.9% | -0.7% | 14.8% | -0.7% | 7.0%  |
| Frankenmuth Mutual Ins Co       |        |       |       |       |       |       |       |       |       |        |       |       |       |       |       |
| 1996                            | 301    | 634   | 423   | 360   | 296   | 296   | 298   | 298   | 445   | 423    | 360   | 298   | 327   | 327   | 363.3 |
| 1999                            | 297    | 662   | 441   | 365   | 291   | 303   | 292   | 292   | 409   | 441    | 365   | 272   | 331   | 331   | 363.7 |
|                                 | -1.3%  | 4.4%  | 4.3%  | 1.4%  | -1.7% | 2.4%  | -2.0% | -2.0% | -8.1% | 4.3%   | 1.4%  | -8.7% | 1.2%  | 1.2%  | 0.1%  |
| Hastings Mutual Insurance Co    |        |       |       |       |       |       |       |       |       |        |       |       |       |       |       |
| 1996                            | 264    | 450   | 341   | 240   | 240   | 240   | 240   | 240   | 359   | 341    | 323   | 240   | 323   | 240   | 291.5 |
| 1999                            | 291    | 672   | 425   | 265   | 265   | 265   | 279   | 265   | 408   | 510    | 403   | 265   | 357   | 279   | 353.5 |
|                                 | 10.2%  | 49.3% | 24.6% | 10.4% | 10.4% | 10.4% | 16.3% | 10.4% | 13.6% | 49.6%  | 24.8% | 10.4% | 10.5% | 16.3% | 21.3% |
| TIG Ins. Corp. of America/      |        |       |       |       |       |       |       |       |       |        |       |       |       |       |       |
| 1996                            | 289    | 487   | 403   | 289   | 289   | 289   | 289   | 289   | 372   | 403    | 329   | 289   | 329   | 289   | 331.1 |
| 1999                            | 366    | 527   | 413   | 312   | 301   | 337   | 329   | 329   | 453   | 426    | 450   | 329   | 343   | 305   | 372.9 |
|                                 | 26.6%  | 8.2%  | 2.5%  | 8.0%  | 4.2%  | 16.6% | 13.8% | 13.8% | 21.8% | 5.7%   | 36.8% | 13.8% | 4.3%  | 5.5%  | 12.6% |
| Secura Insurance, A Mutual Co   |        |       |       |       |       |       |       |       |       |        |       |       |       |       |       |
| 1996                            | 266    | 379   | 359   | 266   | 266   | 266   | 266   | 266   | 252   | 234    | 266   | 266   | 266   | 266   | 277.4 |
| 1999                            | 387    | 556   | 505   | 371   | 387   | 387   | 387   | 387   | 387   | 556    | 387   | 387   | 421   | 421   | 423.3 |
|                                 | 45.5%  | 46.7% | 40.7% | 39.5% | 45.5% | 45.5% | 45.5% | 45.5% | 53.6% | 137.6% | 45.5% | 45.5% | 58.3% | 58.3% | 52.6% |

# BASE RATES LISTED BY COMPANY, YEAR, AND TERRITORY

EXAMPLE 1

| COMPANY NAME                        | BD    | AX    | DET   | FLJ   | GR    | RP    | KAL   | LAN    | MAR   | MT    | PL    | PELL  | PON   | SAG   | TRCTY | WAR   | YPSI  | State |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Pioneer State Mutual Ins Co         |       |       |       |       |       |       |       |        |       |       |       |       |       |       |       |       |       |       |
| 1996                                | 233   | 303   | 267   | 233   | 233   | 233   | 233   | 233    | 233   | 233   | 233   | 305   | 267   | 267   | 233   | 233   | 233   | 250.4 |
| 1999                                | 369   | 422   | 418   | 324   | 324   | 324   | 324   | 324    | 324   | 324   | 324   | 467   | 418   | 418   | 324   | 422   | 324   | 371.6 |
|                                     | 58.4% | 39.3% | 56.6% | 39.1% | 39.1% | 39.1% | 39.1% | 39.1%  | 39.1% | 39.1% | 39.1% | 53.1% | 56.6% | 56.6% | 39.1% | 81.1% | 39.1% | 48.4% |
| Fremont Mutual Insurance Company    |       |       |       |       |       |       |       |        |       |       |       |       |       |       |       |       |       |       |
| 1996                                | 258   | 369   | 369   | 258   | 297   | 258   | 258   | 258    | 258   | 258   | 258   | 335   | 369   | 258   | 258   | 297   | 258   | 292.9 |
| 1999                                | 289   | 607   | 607   | 269   | 303   | 269   | 275   | 275    | 275   | 275   | 275   | 380   | 607   | 289   | 257   | 347   | 257   | 359.4 |
|                                     | 12.0% | 64.5% | 64.5% | 4.3%  | 2.0%  | 4.3%  | 6.6%  | 6.6%   | 6.6%  | 6.6%  | 6.6%  | 13.4% | 64.5% | 12.0% | -0.4% | 16.8% | -0.4% | 22.7% |
| Auto Owners Insurance Company       |       |       |       |       |       |       |       |        |       |       |       |       |       |       |       |       |       |       |
| 1996                                | 325   | 707   | 482   | 338   | 338   | 338   | 288   | 288    | 288   | 288   | 288   | 464   | 482   | 409   | 288   | 442   | 288   | 391.2 |
| 1999                                | 364   | 799   | 557   | 379   | 379   | 379   | 323   | 323    | 323   | 323   | 323   | 510   | 541   | 462   | 307   | 496   | 323   | 438.7 |
|                                     | 12.0% | 13.0% | 15.6% | 12.1% | 12.1% | 12.1% | 12.2% | 12.2%  | 12.2% | 12.2% | 12.2% | 9.9%  | 12.2% | 13.0% | 6.6%  | 12.2% | 12.2% | 12.1% |
| State Farm General Insurance Co     |       |       |       |       |       |       |       |        |       |       |       |       |       |       |       |       |       |       |
| 1996                                | 430   | 728   | 603   | 430   | 430   | 430   | 375   | 375    | 375   | 375   | 375   | 555   | 603   | 463   | 375   | 375   | 375   | 375   |
| No longer writes home insurance     |       |       |       |       |       |       |       |        |       |       |       |       |       |       |       |       |       |       |
| Michigan Millers Mutual Ins Co      |       |       |       |       |       |       |       |        |       |       |       |       |       |       |       |       |       |       |
| 1996                                | 256   | 487   | 400   | 282   | 282   | 282   | 245   | 245    | 245   | 245   | 245   | 369   | 400   | 335   | 245   | 366   | 292   | 320.4 |
| 1999                                | 260   | 664   | 573   | 278   | 288   | 288   | 242   | 242    | 242   | 242   | 242   | 364   | 471   | 385   | 242   | 430   | 304   | 359.9 |
|                                     | 1.6%  | 36.3% | 43.3% | -1.4% | 2.1%  | 2.1%  | -1.2% | -1.4%  | -1.2% | -1.4% | -1.2% | 17.8% | 14.9% | -1.2% | 17.5% | 4.1%  | 12.3% | 12.3% |
| Continental Insurance Company       |       |       |       |       |       |       |       |        |       |       |       |       |       |       |       |       |       |       |
| 1996                                | 255   | 501   | 316   | 236   | 236   | 236   | 236   | 236    | 236   | 236   | 236   | 373   | 316   | 316   | 260   | 260   | 260   | 288.4 |
| 1999                                | 357   | 812   | 410   | 314   | 307   | 318   | 315   | 320    | 320   | 320   | 320   | 498   | 445   | 410   | 326   | 351   | 316   | 392.8 |
|                                     | 40.0% | 62.1% | 29.7% | 33.1% | 30.1% | 34.7% | 33.5% | 35.6%  | 33.5% | 33.5% | 33.5% | 40.8% | 29.7% | 25.4% | 35.0% | 21.5% | 36.2% | 36.2% |
| Safeco Insurance Co of America      |       |       |       |       |       |       |       |        |       |       |       |       |       |       |       |       |       |       |
| 1996                                | 247   | 350   | 350   | 247   | 247   | 247   | 247   | 247    | 247   | 247   | 247   | 374   | 350   | 350   | 247   | 350   | 247   | 292.9 |
| 1999                                | 275   | 470   | 593   | 303   | 303   | 303   | 275   | 275    | 275   | 275   | 275   | 275   | 593   | 449   | 275   | 470   | 295   | 370.1 |
|                                     | 11.3% | 34.3% | 69.4% | 22.7% | 22.7% | 22.7% | 11.3% | -26.5% | 69.4% | 28.3% | 11.3% | 34.3% | 19.4% | 26.4% | 26.4% | 26.4% | 26.4% | 26.4% |
| Westfield Insurance Company         |       |       |       |       |       |       |       |        |       |       |       |       |       |       |       |       |       |       |
| 1996                                | 245   | 350   | 350   | 291   | 291   | 245   | 245   | 245    | 245   | 245   | 245   | 291   | 245   | 245   | 245   | 291   | 291   | 277.1 |
| 1999                                | 266   | 402   | 388   | 313   | 317   | 253   | 271   | 253    | 253   | 253   | 253   | 343   | 322   | 325   | 245   | 313   | 319   | 309.3 |
|                                     | 8.6%  | 14.9% | 10.9% | 7.6%  | 8.9%  | 3.3%  | 10.6% | -0.4%  | 40.0% | 10.7% | 32.7% | 0.0%  | 7.6%  | 9.6%  | 11.6% | 11.6% | 11.6% | 11.6% |
| American Economy Ins Co             |       |       |       |       |       |       |       |        |       |       |       |       |       |       |       |       |       |       |
| 1996                                | 256   | 504   | 381   | 271   | 271   | 271   | 256   | 256    | 256   | 256   | 256   | 353   | 313   | 313   | 256   | 299   | 256   | 304.0 |
| 1999                                | 295   | 516   | 388   | 269   | 276   | 276   | 266   | 266    | 266   | 266   | 266   | 388   | 318   | 318   | 266   | 326   | 260   | 316.3 |
|                                     | 15.2% | 2.4%  | 1.8%  | -0.7% | 1.8%  | 1.8%  | 3.9%  | 3.9%   | 3.9%  | 3.9%  | 3.9%  | 9.9%  | 1.6%  | 1.6%  | 3.9%  | 9.0%  | 1.6%  | 4.0%  |
| Overall percent change by territory | 24.9% | 31.1% | 31.4% | 14.1% | 13.3% | 16.2% | 19.0% | 20.5%  | 19.0% | 38.6% | 23.6% | 18.0% | 26.0% | 22.6% | 23.2% | 23.2% | 23.2% | 23.2% |

## General Conclusions for Home Insurance Rates

Before 1996, insurers were statutorily prevented from developing competitive rates for home insurance based on actual loss experience and market competition. Once the constraints were removed from the law in early 1996, most companies created more rating territories and more base rates. Home insurance companies use many more factors than geographical location and fire protection class (based on the community's fire protection capabilities) to develop their rates. They also use experience developed from the amount of coverage required, construction type, and the number of units within a residential dwelling. Contents and liability coverages also play a role in rate development. By allowing insurers to increase the number of base rates, they can more accurately reflect loss and expense experience gained from the other rating factors.

As mentioned in the first part of this section, home insurers offer several discounts and group programs that directly affect the base premium charged to the insured homeowner. The variety of discounts an insurer offers varies from company to company. Although an insurer's base rates may be higher in a particular location, discounts offered to qualified consumers can significantly lower the rate actually charged.

Insurers also use types of coverage to differentiate their programs from their competitors. For example, one insurer may offer more comprehensive coverage for water related damages, which causes their rates to be somewhat higher than another company's rate. The insured must share some responsibility with the agent and the company in determining what policy is most cost effective for their individual needs.

Unlike auto insurance, there is not a change among the top 20 insurers from 1996 to 1999. Although a new company, Neighborhood Spirit, is marketing in urban areas, it has yet to acquire a significant market share. It does not appear that the 1996 change in the law has encouraged any new insurers to enter the Michigan market.

The base premium data found in the survey appears to indicate that Detroit, Flint, and Warren experienced the largest rate increases across all companies. Detroit had an overall companywide increase of 31.1%, Flint a 31.4% increase, and Warren a 38.6% increase, while the overall statewide increase for all companies during that same time period amounted to 23.2%. These rate increases reflect above average inflation growth in those areas, the number of filed claims due to population density, value of homes, and cost of doing business. The difference also reflects the pre-1996 statutory requirement to contain rates within an artificially constrained band that did not reflect the actual cost of doing business. Over all, most insurers raised their rates in the surveyed areas.

## HOME AND AUTO INSURANCE RATES AND DISCOUNTS

Insurance companies periodically adjust the premiums they charge to the consumer. When an insurer wants to make an adjustment to its premium, the company must file the change with the Commissioner of Insurance. The rate changes received at the Insurance Bureau are subject to the file and use provisions found in the EIA. File and use means that an insurer may send the documentation along with the new rates to the Commissioner's office for review, but they may begin using the rates immediately upon receipt by the Commissioner.

The Commissioner's staff reviews the rates with the supporting documentation to determine that the company has used sound actuarial principles to develop the new rates, and that these rates are reasonable based on the company's loss and expense experience. For example, if an insurer wants to raise rates by 5% across the entire state, the Commissioner would determine if the losses had increased to such an extent the new rate is reasonably justified. Insurance carriers are allowed to adjust their rates to preserve their financial stability.

Insurers also file discounts to their rates. The discounts must also be justified by supportive actuarial data. If an insurer offers a seatbelt discount, for example, its documentation must support the fact that drivers who use seatbelts cost the company less in losses. Loss savings are passed to the consumer who has and uses a seatbelt in the form of a discount on the premium for his auto policy.



The following is a list of most commonly offered discounts insurers may use to decrease their overall premiums:

### ***Auto Discounts***

- Air Bag
- Anti-Lock Brakes - 4 wheel
- Anti-Theft (Active and passive disabling device, recovery device)
- Company Car
- Company Direct
- Coordinated Medical Benefits
- Daytime Running Lights
- Etching of VIN
- Family Vehicle
- Group Discounts
- Multi-Car
- Multi-policy/Account Credit
- No Dependents
- Non-Drinker
- Pick Up
- Preferred Driver Discount
- Safe Driver
- Seatbelt/Passive Restraint (including automatic seatbelts)
- Senior/Retired
- Transfer or Renewal
- Work Loss (excess medical, wage loss, low & ltd. Income)

### ***Home Discounts***

- Annual Payment Plan
- Annual Payment w/application
- Automatic Sprinkler System - complete
- Automatic Sprinkler System - partial (omitted in bathrooms, closets, attics)
- Company Direct
- Dwelling Under Construction
- Group Credit
- Masonry Discount
- Mature Policyholder - 55 yrs old
- Multi-policy/Account Credit
- New Home Credit/Year of Construction
- No Loss Payable/Loss Free discount or credit
- Non-Smoker
- Premises Alarm
- Premises Alarm - monitored (Burglar and/or Fire)
- Protective Devices (smoke alarm, fire alarm, fire ext., deadbolts)

Seasonal Property Credit  
Secondary Residence  
Preferred Customer/Good Credit Rating

APPENDIX A

**500.2111 Classifications and territorial base rates for automobile insurance or home insurance; conformity with applicable requirements. [M.S.A. 24.12111]**

Sec. 2111. (1)

Notwithstanding any provision of this act and this chapter to the contrary, classifications and territorial base rates used by any insurer in this state with respect to automobile insurance or home insurance shall conform to the applicable requirements of this section.

(2) Classifications established pursuant to this section for automobile insurance shall be based only upon 1 or more of the following factors, which shall be applied by an insurer on a uniform basis throughout the state:

(a) With respect to all automobile insurance coverages:

(i) Either the age of the driver; the length of driving experience; or the number of years licensed to operate a motor vehicle.

(ii)

Driver primacy, based upon the proportionate use of each vehicle insured under the policy by individual drivers insured or to be insured under the policy.

(iii)

Average miles driven weekly, annually, or both.

(iv)

Type of use, such as business, farm, or pleasure use.

(v)

Vehicle characteristics, features, and options, such as engine displacement, ability of vehicle and its equipment to protect passengers from injury and other similar items, including vehicle make and model.

(vi)

Daily or weekly commuting mileage.

(vii)

Number of cars insured by the insurer or number of licensed operators in the household. However, number of licensed operators shall not be used as an indirect measure of marital status.

(viii)

Amount of insurance.

(b) In addition to the factors prescribed in subdivision (a), with respect to personal protection insurance coverage:

(i) Earned income.

(ii)

Number of dependents of income earners insured under the policy.

(iii)

Coordination of benefits.

(iv)

Use of a safety belt.

(c) In addition to the factors prescribed in subdivision (a), with respect to collision and comprehensive coverages:

(i) The anticipated cost of vehicle repairs or replacement, which may be measured by age, price, cost new, or value of the insured automobile, and other factors directly relating to that anticipated cost.

(ii)

Vehicle make and model.

(iii)

Vehicle design characteristics related to vehicle damageability.

(iv)

Vehicle characteristics relating to automobile theft prevention

devices.

(d) With respect to all automobile insurance coverage other than comprehensive, successful completion by the individual driver or drivers insured under the policy of an accident prevention education course that meets the following criteria:

(i) The course shall include a minimum of 8 hours of classroom instruction.

(ii)

The course shall include, but not be limited to, a review of all of the following:

(A) The effects of aging on driving behavior.

(B) The shapes, colors, and types of road signs.

(C) The effects of alcohol and medication on driving.

(D) The laws relating to the proper use of a motor vehicle.

(E) Accident prevention measures.

(F) The benefits of safety belts and child restraints.

(G) Major driving hazards.

(H) Interaction with other highway users such as motorcyclists, bicyclists, and pedestrians.

(3) Each insurer shall establish a secondary or merit rating plan for automobile insurance, other than comprehensive coverage. A secondary or merit rating plan required under this subsection shall provide for premium surcharges for any or all coverages for automobile insurance, other than comprehensive coverage, based upon any or all of the following, when that information becomes available to the insurer:

(a) Substantially at-fault accidents.

(b) Convictions for, determinations of responsibility for civil infractions for, or findings of responsibility in probate court for civil infractions for, violations under chapter VI of Act No. 300 of the Public Acts of 1949, being sections 257.601 to 257.750 of the Michigan Compiled Laws. However, beginning 90 days after the effective date of this sentence, an insured shall not be merit rated for a civil infraction under chapter VI of Act No. 300 of the Public

Acts of 1949, for a period of time longer than that which the secretary of state's office carries points for that infraction on the insured's motor vehicle record.

(4) An insurer shall not establish or maintain rates or rating classifications for automobile insurance based upon sex or marital status.

(5) Notwithstanding other provisions of this chapter, automobile insurance risks may be grouped by territory.

(6) This section shall not be construed as limiting insurers or rating organizations from establishing and maintaining statistical reporting territories. This section shall not be construed to prohibit an insurer from establishing or maintaining, for automobile insurance, a premium discount plan for senior citizens in this state who are 65 years of age or older, if the plan is uniformly applied by the insurer throughout this state. If an insurer has not established and maintained a premium discount plan for senior citizens, the insurer shall offer reduced premium rates to senior citizens in this state who are 65 years of age or older and who drive less than 3,000 miles per year, regardless of statistical data.

(7) Classifications established pursuant to this section for home insurance other than inland marine insurance provided by policy floaters or endorsements shall be based only upon 1 or more of the following factors:

(a) Amount and types of coverage.

(b) Security and safety devices, including locks, smoke detectors, and similar, related devices.

(c) Repairable structural defects reasonably related to risk.

(d) Fire protection class.

(e) Construction of structure, based on structure size, building material components, and number of units.

(f) Loss experience of the insured, based upon prior claims attributable to factors under the control of the insured that have been paid by an insurer.

(g) Use of smoking materials within the structure.

(h) Distance of the structure from a fire hydrant.

(i) Availability of law enforcement or crime prevention services.

(8) Notwithstanding other provisions of this chapter, home insurance risks may be grouped by territory.

(9) An insurer may utilize factors in addition to those specified in this section, if the commissioner finds, after a hearing held pursuant to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws, that the factors would encourage innovation, would encourage insureds to minimize the risks of loss from hazards insured against, and would be consistent with the purposes of this chapter.

(10) The commissioner shall report in writing to the senate and house of representatives standing committees of insurance issues by January 1, 2000 of the effect that the amendatory act that added this subsection has had on automobile and home insurance premiums in this state.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;--Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981;--Am. 1986, Act 10, Imd. Eff. Feb. 28, 1986;--Am. 1987, Act 150, Imd. Eff. Oct. 26, 1987;--Am. 1990, Act 88, Eff. Mar. 28, 1991;--Am. 1991, Act 24, Imd. Eff. May 20, 1991;--Am. 1991, Act 191, Eff. Jan. 1, 1992;--Am. 1996, Act 98, Imd. Eff. Feb. 28, 1996

**Compilers Notes:**

Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.





Chapter 31

**MOTOR VEHICLE PERSONAL AND  
PROPERTY PROTECTION**

**Section 500.3101 Security required for motor vehicles; definitions**

Sec. 3101. (1) The owner or registrant of a motor vehicle required to be registered in this state shall maintain security for payment of benefits under personal protection insurance, property protection insurance, and residual liability insurance. Security shall only be required to be in effect during the period the motor vehicle is driven or moved upon a highway. Notwithstanding any other provision in this act, an insurer that has issued an automobile insurance policy on a motor vehicle that is not driven or moved upon a highway may allow the insured owner or registrant of the motor vehicle to delete a portion of the coverages under the policy and maintain the comprehensive coverage portion of the policy in effect.

(2) As used in this chapter:

(a) "Automobile insurance" means that term as defined in section 2102.

(b) "Highway" means that term as defined in section 20 of the Michigan vehicle code, Act No. 300 of the Public Acts of 1949, being section 257.20 of the Michigan Compiled Laws.

(c) "Motorcycle" means a vehicle having a saddle or seat for the use of the rider, designed to travel on not more than 3 wheels in contact with the ground, which is equipped with a motor that exceeds 50 cubic centimeters piston displacement. The wheels on any attachment to the vehicle shall not be considered as wheels in contact with the ground. Motorcycle does not include a moped, as defined in section 32b of the Michigan vehicle code, Act No. 300 of the Public Acts of 1949, being section 257.32b of the Michigan Compiled Laws.

(d) "Motorcycle accident" means a loss involving the ownership, operation, maintenance, or use of a motorcycle as a motorcycle, but not involving the ownership, operation, maintenance, or use of a motor vehicle as a motor vehicle.

(e) "Motor vehicle" means a vehicle, including a trailer, operated or designed for operation upon a public highway by power other than muscular power which has more than 2 wheels. Motor vehicle does not include a motorcycle or a moped, as defined in section 32b of Act No. 300 of the Public Acts of 1949, being section 257.32b of the Michigan Compiled Laws. Motor vehicle does not include a farm tractor or other implement of husbandry which is not subject to the registration requirements of the Michigan vehicle code pursuant to section 216 of the Michigan vehicle code, Act No. 300 of the Public Acts of 1949, being section 257.216 of the Michigan Compiled Laws.

(f) "Motor vehicle accident" means a loss involving the ownership, operation, maintenance, or use of a motor vehicle as a motor vehicle regardless of whether the accident also involves the ownership, operation, maintenance, or use of a motorcycle as a motorcycle.

(g) "Owner" means any of the following:

(i) A person renting a motor vehicle or having the use thereof, under a lease or otherwise, for a period that is greater than 30 days.

(ii) A person who holds the legal title to a vehicle, other than a person engaged in the business of leasing motor vehicles who is the lessor of a motor vehicle pursuant to a lease providing for the use of the motor vehicle by the lessee for a period that is greater than 30 days.

(iii) A person who has the immediate right of possession of a motor vehicle under an installment sale contract.

(h) "Registrant" does not include a person engaged in the business of leasing motor vehicles who is the lessor of a motor vehicle pursuant to a lease providing for the use of the motor vehicle by the lessee for a period that is greater than 30 days.

(3) Security may be provided under a policy issued by an insurer duly authorized to transact business in this state which affords insurance for the payment of benefits described in subsection (1). A policy of insurance represented or sold as providing security shall be deemed to provide insurance for the payment of the benefits.

(4) Security required by subsection (1) may be provided by any other method approved by the secretary of state as affording security equivalent to that afforded by a policy of insurance, if proof of the security is filed and continuously maintained with the secretary of state throughout the period the motor vehicle is driven or moved upon a highway. The person filing the security has all the obligations and rights of an insurer under this chapter. When the context permits, "insurer" as used in this chapter, includes any person filing the security as provided in this section.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1975, Act 329, Eff. Mar. 31, 1976;--Am. 1977, Act 54, Imd. Eff. July 6, 1977;--Am. 1980, Act 445, Imd. Eff. Jan. 15, 1981;--Am. 1984, Act 84, Imd. Eff. Apr. 19, 1984;--Am. 1987, Act 168, Imd. Eff. Nov. 9, 1987;--Am. 1988, Act 126, Imd. Eff. May 23, 1988.

Note - On November 8, 1994 Michigan voters rejected Measure C on the ballot, thus preventing P.A. 1993, No. 143 (which amended the above section) from becoming operational. The original effective date of P.A. 1993, No. 143 was April 1, 1994. The enactment was suspended before becoming effective when enough signatures were gathered and filed with the Michigan Department of State to place the measure on the November ballot.

#### **Section 500.3101a Certificates of insurance**

Sec. 3101a. (1) An insurer, in conjunction with the issuance of an automobile insurance policy, as defined in section 3303, shall provide 2 certificates of insurance for each insured vehicle. The insurer shall mark 1 of the certificates as the secretary of state's copy, which copy, except as otherwise provided in subsection (2), shall be filed with the secretary of state by the policyholder upon application for a vehicle registration. The secretary of state shall not maintain the certificate of insurance received under this subsection on file.

(2) The secretary of state shall accept as proof of vehicle insurance a transmission, in the format required by the secretary of state, of the insured vehicle's vehicle identification number. Vehicle identification numbers received by the secretary of state under this subsection are confidential and shall not be disclosed to any person except pursuant to an order by a court of competent jurisdiction in connection with a claim or fraud investigation or prosecution. The transmission to the secretary of state of a vehicle identification number is proof of insurance to the secretary of state for motor vehicle registration purposes only and is not evidence that a policy of insurance actually exists between an insurer and an individual.

(3) A person who supplies false information to the secretary of state under this section or who issues or uses an altered, fraudulent, or counterfeit certificate of insurance is guilty of a misdemeanor punishable by imprisonment for not more than 1 year, or a fine of not more than \$1,000.00, or both.

History: Add. 1980, Act 461, Eff. Apr. 1, 1981;--Am. 1995, Act 288, Imd. Eff. Jan. 9, 1996;--Am. 1996, Act 456, Imd. Eff. Dec. 23, 1996.

Note - Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.

#### **Section 500.3101b Proof of vehicle insurance**

Sec. 3101b. All insurers who choose to provide proof of vehicle insurance to the secretary of state pursuant to section 3101a(2) shall do so through the insurance verification board created in section 227b of the Michigan vehicle code, Act No. 300 of the Public Acts of 1949, being section 257.227b of the Michigan Compiled Laws, or the organization selected by the board. If that board or the organization selected by the board is not operational and able to transmit to the secretary of state by June 1, 1996 or if the board or organization stops transmitting proof of vehicle insurance by vehicle identification number to the secretary of state, an insurer who chooses to provide proof of vehicle insurance to the secretary of state pursuant to section 3101a(2) may do so directly and is not required to do so through the board or organization. Choosing to provide proof of vehicle insurance pursuant to section 227b of the Michigan vehicle code, Act No. 300 of the Public Acts of 1949, being section 257.227b of the Michigan Compiled Laws is not a state mandate and may not be identified on the automobile insurance declarations page as a state mandate or a state mandated assessment. Automobile insurers in this state shall not charge their policyholders more than a sufficient amount to cover the cost of any assessment for this program.

History: Add. 1995, Act 288, Imd. Eff. Jan. 9, 1996.

#### **Section 500.3101c Certified statement of insurance**

Sec. 3101c. The commissioner shall prescribe a standard certified statement that automobile insurers shall use to show pursuant to section 227a(1)(a) of the Michigan vehicle code, Act No. 300 of the Public Acts of 1949, being section 257.227a of the Michigan Compiled Laws, that a vehicle is insured under a 6-month prepaid, noncancelable policy.

History: Add. 1995, Act 288, Imd. Eff. Jan. 9, 1996.

#### **Section 500.3102 Nonresident vehicles; penalties; annual statistical report**

Sec. 3102. (1) A nonresident owner or registrant of a motor vehicle or motorcycle not registered in this state shall not operate or permit the motor vehicle or motorcycle to be operated in this state for an aggregate of more than 30 days in any calendar year unless he or she continuously maintains security for the payment of benefits pursuant to this chapter.

(2) An owner or registrant of a motor vehicle or motorcycle with respect to which security is required, who operates the motor vehicle or motorcycle or permits it to be operated upon a public highway in this state, without having in full force and effect security complying with this section or section 3101 or 3103 is guilty of a misdemeanor. A person who operates a motor vehicle or motorcycle upon a public highway in this state with the knowledge that the owner or registrant does not have security in full force and effect is guilty of a misdemeanor. A person convicted of a misdemeanor under this section shall be fined not less than \$200.00 nor more than \$500.00, imprisoned for not more than 1 year, or both.

(3) The failure of a person to produce evidence that a motor vehicle or motorcycle has in full force and effect security complying with this section or section 3101 or 3103 on the date of the issuance of the citation, creates a rebuttable presumption in a prosecution under subsection (2) that the motor vehicle or motorcycle did not have in full force and effect security complying with this section or section 3101 or 3103 on the date of the issuance of the citation.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1975, Act 329, Eff. Mar. 31, 1976;--Am. 1979, Act 145, Imd. Eff. Nov. 13, 1979;--Am. 1980, Act 446, Imd. Eff. Jan. 15, 1981;--Am. 1987, Act 187, Eff. Mar. 30, 1988;--Am. 1990, Act 79, Imd. Eff. May 24, 1990.

#### **Section 500.3103 Security required for motorcycles; statistical report**

Sec. 3103. (1) An owner or registrant of a motorcycle shall provide security against loss resulting from liability imposed by law for property damage, bodily injury, or death suffered by a person arising out of the ownership, maintenance, or use of that motorcycle. The security shall conform with the requirements of section 3009(1).

(2) Each insurer transacting insurance in this state which affords coverage for a motorcycle as described in subsection (1) also shall offer, to an owner or registrant of a motorcycle, security for the payment of first-party medical benefits only, in increments of \$5,000.00, payable in the event the owner or registrant is involved in a motorcycle accident. An insurer providing first-party medical benefits may offer, at appropriate premium rates, deductibles, provisions for the coordination of these benefits, and provisions for the subtraction of other benefits provided or required to be provided under the laws of any state or the federal government, subject to the prior approval of the commissioner. These deductibles and provisions shall apply only to benefits payable to the person named in the policy, the spouse of the insured, and any relative of either domiciled in the same household.

History: Add. 1975, Act 329, Eff. Mar. 31, 1976;--Am. 1977, Act 54, Imd. Eff. July 6, 1977;--Am. 1980, Act 445, Eff. Jan. 15, 1981;--Am. 1986, Act 173, Imd. Eff. July 7, 1986.

#### **Section 500.3104 Catastrophic claims association**

Sec. 3104. (1) An unincorporated, nonprofit association to be known as the catastrophic claims association, hereinafter referred to as the association, is created. Each insurer engaged in writing insurance coverages which provide the security required by section 3101(1) within this state, as a condition of its authority to transact insurance in this state, shall be a member of the association and shall be bound by the plan of operation of the association. Each insurer engaged in writing insurance coverages which provide the security required by section 3103(1) within this state, as a condition of its authority to transact insurance in this state, shall be considered a member of the association, but only for purposes of assessments under subsection (7)(d). Except as expressly provided in this section, the association shall not be subject to any laws of this state with respect to insurers, but in all other respects the association shall be subject to the laws of this state to the extent that the association would be were it an insurer organized and subsisting under chapter 50.

(2) The association shall provide and each member shall accept indemnification for 100% of the amount of ultimate loss sustained under personal protection insurance coverages in excess of \$250,000.00 in each loss occurrence. As used in this section, "ultimate loss" means the actual loss amounts which a member is obligated to pay and which are paid or payable by the member, and shall not include claim expenses. An ultimate loss is incurred by the association on the date which the loss occurs.

(3) An insurer may withdraw from the association only upon ceasing to write insurance which provides the security required by section 3101(1) in this state.

(4) An insurer whose membership in the association has been terminated by withdrawal shall continue to be bound by the plan of operation, and upon withdrawal, all unpaid premiums which have been charged to the withdrawing member shall be payable as of the effective date of the withdrawal.

(5) An unsatisfied net liability to the association of an insolvent member shall be assumed by and apportioned among the remaining members of the association as provided in the plan of operation. The association shall have all rights allowed by law on behalf of the remaining members against the estate or funds of the insolvent member for sums due the association.

(6) When a member has been merged or consolidated into another insurer or another insurer has reinsured a member's entire business which provides the security required by section 3101(1) in this state, the member and successors in interest of the member shall remain liable for the member's obligations.

(7) The association shall do all of the following on behalf of the members of the association:

(a) Assume 100% of all liability as provided in subsection (2).

(b) Establish procedures by which members shall promptly report to the association each claim which, on the basis of the injuries or damages sustained, may reasonably be anticipated to involve the association if the member is ultimately held legally liable for the injuries or damages. Solely for the purpose of reporting claims, the member shall in all instances consider itself legally liable for the injuries or damages. The member shall also advise the association of subsequent developments likely to materially affect the interest of the association in the claim.

(c) Maintain relevant loss and expense data relative to all liabilities of the association and require each member to furnish statistics, in connection with liabilities of the association, at the times and in the form and detail as may be required by the plan of operation.

(d) In a manner provided for in the plan of operation, calculate and charge to members of the association a total premium sufficient to cover the expected losses and expenses of the association which the association will likely incur during the period for which the premium is applicable. The premium shall include an amount to cover incurred but not reported losses for the period and may be adjusted for any excess or deficient premiums from previous periods. Excesses or deficiencies from previous periods may be fully adjusted in a single period or may be adjusted over several periods in a manner provided for in the plan of operation. Each member shall be charged an amount equal to that member's total earned car years of insurance providing the security required by section 3101(1) or 3103(1), or both, written in this state during the period to which the premium applies, multiplied by the average premium per car. The average premium per car shall be the total premium calculated divided by the total earned car years of insurance providing the security required by section 3101(1) or 3103(1) written in this state of all members during the period to which the premium applies. As used in this subdivision, "car" includes a motorcycle.

(e) Require and accept the payment of premiums from members of the association as provided for in the plan of operation. The association shall do either of the following:

(i) Require payment of the premium in full within 45 days after the premium charge.

(ii) Require payment of the premiums to be made periodically to cover the actual cash obligations of the association.

(f) Receive and distribute all sums required by the operation of the association.

(g) Establish procedures for reviewing claims procedures and practices of members of the association. If the claims procedures or practices of a member are considered inadequate to properly service the liabilities of the association, the association may undertake

or may contract with another person, including another member, to adjust or assist in the adjustment of claims for the member on claims which create a potential liability to the association and may charge the cost of the adjustment to the member.

(8) In addition to other powers granted to it by this section, the association may do all of the following:

(a) Sue and be sued in the name of the association. A judgment against the association shall not create any direct liability against the individual members of the association. The association may provide for the indemnification of its members, members of the board of directors of the association, and officers, employees, and other persons lawfully acting on behalf of the association.

(b) Reinsure all or any portion of its potential liability with reinsurers licensed to transact insurance in this state or approved by the commissioner.

(c) Provide for appropriate housing, equipment, and personnel as may be necessary to assure the efficient operation of the association.

(d) Pursuant to the plan of operation, adopt reasonable rules for the administration of the association, enforce those rules, and delegate authority, as the board considers necessary to assure the proper administration and operation of the association consistent with the plan of operation.

(e) Contract for goods and services, including independent claims management, actuarial, investment, and legal services, from others within or without this state to assure the efficient operation of the association.

(f) Hear and determine complaints of a company or other interested party concerning the operation of the association.

(g) Perform other acts not specifically enumerated in this section which are necessary or proper to accomplish the purposes of the association and which are not inconsistent with this section or the plan of operation.

(9) A board of directors is created, hereinafter referred to as the board, which shall be responsible for the operation of the association consistent with the plan of operation and this section.

(10) The plan of operation shall provide for all of the following:

(a) The establishment of necessary facilities.

(b) The management and operation of the association.

(c) A preliminary premium, payable by each member in proportion to its total first-year premium, for initial expenses necessary to commence operation of the association.

(d) Procedures to be utilized in charging premiums, including adjustments from excess or deficient premiums from prior periods.

(e) Procedures governing the actual payment of premiums to the association.

(f) Reimbursement of each member of the board by the association for actual and necessary expenses incurred on association business.

(g) The investment policy of the association.

(h) Any other matters required by or necessary to effectively implement this section.

(11) Not more than 30 days after the effective date of this section, the commissioner shall convene an organizational meeting of the board. The board shall be initially composed of 5 members of the association appointed by the commissioner to serve as directors, and the commissioner or a designated representative of the commissioner serving as an ex officio member of the board without vote. The initial board and each successor board shall include members which would contribute a total of not less than 40% of the total premium calculated pursuant to subsection (7)(d). Each director shall be entitled to 1 vote. The initial term of office of a director shall be 2 years.

(12) As part of the plan of operation, the board shall adopt rules providing for the composition and term of successor boards to the initial board, consistent with the membership composition requirements in subsections (11) and (13). Terms of the directors shall be staggered so that the terms of all the directors do not expire at the same time and so that a director does not serve a term of more than 4 years.

(13) The board shall consist of 5 directors and the commissioner shall be an ex officio member of the board without vote.

(14) Each director shall be appointed by the commissioner and shall serve until that member's successor is selected and qualified. The chairperson of the board shall be elected by the board. A vacancy on the board shall be filled by the commissioner consistent with the plan of operation.

(15) After the board is appointed, the board shall meet as often as the chairperson, the commissioner, or the plan of operation shall require, or at the request of any 3 members of the board. The chairperson shall retain the right to vote on all issues. Four members of the board shall constitute a quorum.

(16) An annual report of the operations of the association in a form and detail as may be determined by the board shall be furnished to each member.

(17) Not more than 60 days after the initial organizational meeting of the board, the board shall submit to the commissioner for approval a proposed plan of operation consistent with the objectives and provisions of this section, which shall provide for the economical, fair, and nondiscriminatory administration of the association and for the prompt and efficient provision of indemnity. If a plan is not submitted within this 60-day period, then the commissioner, after consultation with the board, shall formulate and place into effect a plan consistent with this section.

(18) The plan of operation, unless approved sooner in writing, shall be considered to meet the requirements of this section if it is not disapproved by written order of the commissioner within 30 days after the date of its submission. Before disapproval of all or any part of the proposed plan of operation, the commissioner shall notify the board in what respect the plan of operation fails to meet the requirements and objectives of this section. If the board fails to submit a revised plan of operation which meets the requirements and objectives of this section within the 30-day period, the commissioner shall enter an order accordingly and shall immediately formulate and place into effect a plan consistent with the requirements and objectives of this section.

(19) The proposed plan of operation or amendments to the plan of operation shall be subject to majority approval by the board, ratified by a majority of the membership having a vote, with voting rights being apportioned according to the premiums charged in subsection (7)(d) and shall be subject to approval by the commissioner.

(20) Upon approval by the commissioner and ratification by the members of the plan submitted, or upon the promulgation of a plan by the commissioner, each insurer authorized to write insurance providing the security required by section 3101(1) in this state, as defined in this section, shall be bound by and shall formally subscribe to and participate in the plan approved as a condition of maintaining its authority to transact insurance in this state.

(21) The association shall be subject to all the reporting, loss reserve, and investment requirements of the commissioner to the same extent as would a member of the association.

(22) Premiums charged members by the association shall be recognized in the rate-making procedures for insurance rates in the same manner that expenses and premium taxes are recognized.

(23) The commissioner or an authorized representative of the commissioner may visit the association at any time and examine any and all the association's affairs.

(24) This section shall take effect on July 1, 1978. The association shall not have liability for losses occurring before the effective date of this section.

History: Add. 1978, Act 136, Eff. July 1, 1978;--Am. 1980, Act 445, Imd. Eff. Jan. 15, 1981.

Note - On November 8, 1994 Michigan voters rejected Measure C on the ballot, thus preventing P.A. 1993, No. 143 (which amended the above section) from becoming operational. The original effective date of P.A. 1993, No. 143 was April 1, 1994. The enactment was suspended before becoming effective when enough signatures were gathered and filed with the Michigan Department of State to place the measure on the November ballot.

#### **Section 500.3105 Accidental bodily injury**

Sec. 3105. (1) Under personal protection insurance an insurer is liable to pay benefits for accidental bodily injury arising out of the ownership, operation, maintenance or use of a motor vehicle as a motor vehicle, subject to the provisions of this chapter.

(2) Personal protection insurance benefits are due under this chapter without regard to fault.

(3) Bodily injury includes death resulting therefrom and damage to or loss of a person's prosthetic devices in connection with the injury.

(4) Bodily injury is accidental as to a person claiming personal protection insurance benefits unless suffered intentionally by the injured person or caused intentionally by the claimant. Even though a person knows that bodily injury is substantially certain to be caused by his act or omission, he does not cause or suffer injury intentionally if he acts or refrains from acting for the purpose of averting injury to property or to any person including himself.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3106 Parked vehicles**

Sec. 3106. (1) Accidental bodily injury does not arise out of the ownership, operation, maintenance, or use of a parked vehicle as a motor vehicle unless any of the following occur:

(a) The vehicle was parked in such a way as to cause unreasonable risk of the bodily injury which occurred.

(b) Except as provided in subsection (2), the injury was a direct result of physical contact with equipment permanently mounted on the vehicle, while the equipment was being operated or used, or property being lifted onto or lowered from the vehicle in the loading or unloading process.

(c) Except as provided in subsection (2), the injury was sustained by a person while occupying, entering into, or alighting from the vehicle.

(2) Accidental bodily injury does not arise out of the ownership, operation, maintenance, or use of a parked vehicle as a motor vehicle if benefits under the worker's disability compensation act of 1969, Act No. 317 of the Public Acts of 1969, as amended, being sections 418.101 to 418.941 of the Michigan Compiled Laws, or under a similar law of another state or under a similar federal law, are available to an employee who sustains the injury in the course of his or her employment while doing either of the following:

(a) Loading, unloading, or doing mechanical work on a vehicle unless the injury arose from the use or operation of another vehicle. As used in this subdivision, "another vehicle" does not include a motor vehicle being loaded on, unloaded from, or secured to, as cargo or freight, a motor vehicle.

(b) Entering into or alighting from the vehicle unless the injury was sustained while entering into or alighting from the vehicle immediately after the vehicle became disabled. This subdivision shall not apply if the injury arose from the use or operation of another vehicle. As used in this subdivision, "another vehicle" does not include a motor vehicle being loaded on, unloaded from or secured to, as cargo or freight, a motor vehicle.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1981, Act 209, Eff. Jan. 1, 1982;--Am. 1986, Act 318, Eff. June 1, 1987.

#### **Section 500.3107 Personal protection insurance benefits**

Sec. 3107. (1) Except as provided in subsection (2), personal protection insurance benefits are payable for the following:

(a) Allowable expenses consisting of all reasonable charges incurred for reasonably necessary products, services and accommodations for an injured person's care, recovery, or rehabilitation. Allowable expenses within personal protection insurance coverage shall not include charges for a hospital room in excess of a reasonable and customary charge for semiprivate

accommodations except if the injured person requires special or intensive care, or for funeral and burial expenses in the amount set forth in the policy which shall not be less than \$1,750.00 or more than \$5,000.00.

(b) Work loss consisting of loss of income from work an injured person would have performed during the first 3 years after the date of the accident if he or she had not been injured. Work loss does not include any loss after the date on which the injured person dies. Because the benefits received from personal protection insurance for loss of income are not taxable income, the benefits payable for such loss of income shall be reduced 15% unless the claimant presents to the insurer in support of his or her claim reasonable proof of a lower value of the income tax advantage in his or her case, in which case the lower value shall apply. Beginning March 30, 1973, the benefits payable for work loss sustained in a single 30-day period and the income earned by an injured person for work during the same period together shall not exceed \$1,000.00, which maximum shall apply pro rata to any lesser period of work loss. Beginning October 1, 1974, the maximum shall be adjusted annually to reflect changes in the cost of living under rules prescribed by the commissioner but any change in the maximum shall apply only to benefits arising out of accidents occurring subsequent to the date of change in the maximum.

(c) Expenses not exceeding \$20.00 per day, reasonably incurred in obtaining ordinary and necessary services in lieu of those that, if he or she had not been injured, an injured person would have performed during the first 3 years after the date of the accident, not for income but for the benefit of himself or herself or of his or her dependent.

(2) A person who is 60 years of age or older and in the event of an accidental bodily injury would not be eligible to receive work loss benefits under subsection (1)(b) may waive coverage for work loss benefits by signing a waiver on a form provided by the insurer. An insurer shall offer a reduced premium rate to a person who waives coverage under this subsection for work loss benefits. Waiver of coverage for work loss benefits applies only to work loss benefits payable to the person or persons who have signed the waiver form.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1988, Act 312, Eff. Mar. 30, 1989;--Am. 1991, Act 191, Eff. Jan. 1, 1992.

Note - On November 8, 1994 Michigan voters rejected Measure C on the ballot, thus preventing P.A. 1993, No. 143 (which amended the above section) from becoming operational. The original effective date of P.A. 1993, No. 143 was April 1, 1994. The enactment was suspended before becoming effective when enough signatures were gathered and filed with the Michigan Department of State to place the measure on the November ballot.

#### **Section 500.3107a Work loss basis**

Sec. 3107a. Subject to the provisions of section 3107(1)(b), work loss for an injured person who is temporarily unemployed at the time of the accident or during the period of disability shall be based on earned income for the last month employed full time preceding the accident.

History: Add. 1975, Act 311, Imd. Eff. Dec. 22, 1975;--Am. 1991, Act 191, Eff. Jan. 1, 1992.

#### **Section 500.3107b Personal protection insurance coverage**

Sec. 3107b. Reimbursement or coverage for expenses within personal protection insurance coverage under section 3107 is not required for either of the following:

(a) A practice of optometric service, unless that service was included in the definition of practice of optometry under section 17401 of the public health code, Act No. 368 of the Public Acts of 1978, being section 333.17401 of the Michigan Compiled Laws, as of May 20, 1992.

(b) The use of therapeutic sound or electricity, or both, for the reduction or correction of spinal subluxations in a chiropractic service. This subdivision shall not take effect unless Senate Bill No. 493 of the 87th Legislature is enacted into law.

History: Add. 1994, Act 438, Eff. Mar. 30, 1995.

#### **Section 500.3108 Survivor's benefits**

Sec. 3108. (1) Except as provided in subsection (2), personal protection insurance benefits are payable for a survivor's loss which consists of a loss, after the date on which the deceased died, of contributions of tangible things of economic value, not including services, that dependents of the deceased at the time of the deceased's death would have received for support during their dependency from the deceased if the deceased had not suffered the accidental bodily injury causing death and expenses, not



exceeding \$20.00 per day, reasonably incurred by these dependents during their dependency and after the date on which the deceased died in obtaining ordinary and necessary services in lieu of those that the deceased would have performed for their benefit if the deceased had not suffered the injury causing death. Except as provided in section (2) the benefits payable for a survivors' loss in connection with the death of a person in a single 30-day period shall not exceed \$1,000.00 for accidents occurring before October 1, 1978, and shall not exceed \$1,475.00 for accidents occurring on or after October 1, 1978, and is not payable beyond the first three years after the date of the accident.

(2) The maximum payable shall be adjusted annually to reflect changes in the cost of living under rules prescribed by the commissioner. A change in the maximum shall apply only to benefits arising out of accidents occurring subsequent to the date of change in the maximum. The maximum shall apply to the aggregate benefits for all survivors payable under this section on account of the death of any one person.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1978, Act 459, Imd. Eff. Oct. 16, 1978.

#### **Section 500.3109 State or federal benefits**

Sec. 3109. (1) Benefits provided or required to be provided under the laws of any state or the federal government shall be subtracted from the personal protection insurance benefits otherwise payable for the injury.

(2) An injured person is a natural person suffering accidental bodily injury.

(3) An insurer providing personal protection insurance benefits may offer, at appropriately reduced premium rates, a deductible of a specified dollar amount which does not exceed \$300.00 per accident. This deductible may be applicable to all or any specified types of personal protection insurance benefits but shall apply only to benefits payable to the person named in the policy, his spouse and any relative of either domiciled in the same household. Any other deductible provisions require the prior approval of the commissioner.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3109a Deductibles and exclusions**

Sec. 3109a. An insurer providing personal protection insurance benefits shall offer, at appropriately reduced premium rates, deductibles and exclusions reasonably related to other health and accident coverage on the insured. The deductibles and exclusions required to be offered by this section shall be subject to prior approval by the commissioner and shall apply only to benefits payable to the person named in the policy, the spouse of the insured and any relative of either domiciled in the same household.

History: Add. 1974, Act 72, Eff. June 4, 1974.

Note: Act 143 of 1993, which amended this section, was submitted to the people by referendum petition(as Proposal C)and rejected by a majority of the votes cast at the November 8, 1994, general election.

#### **Section 500.3110 Dependents; accrual of benefits**

Sec. 3110. (1) The following persons are conclusively presumed to be dependents of a deceased person:

(a) A wife is dependent on a husband with whom she lives at the time of his death.

(b) A husband is dependent on a wife with whom he lives at the time of her death.

(c) A child while under the age of 18 years, or over that age but physically or mentally incapacitated from earning, is dependent on the parent with whom he lives or from whom he receives support regularly at the time of the death of the parent.

(2) In all other cases, questions of dependency and the extent of dependency shall be determined in accordance with the facts as they exist at the time of death.

(3) The dependency of a surviving spouse terminates upon death or remarriage. The dependency of any other person terminates upon the death of the person and continues only so long as the person is under the age of 18 years, physically or mentally incapacitated from earning, or engaged full time in a formal program of academic or vocational education or training.

(4) Personal protection insurance benefits payable for accidental bodily injury accrue not when the injury occurs but as the allowable expense, work loss or survivors' loss is incurred.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3111 Accidents occurring out of state**

Sec. 3111. Personal protection insurance benefits are payable for accidental bodily injury suffered in an accident occurring out of this state, if the accident occurs within the United States, its territories and possessions or in Canada, and the person whose injury is the basis of the claim was at the time of the accident a named insured under a personal protection insurance policy, his spouse, a relative of either domiciled in the same household or an occupant of a vehicle involved in the accident whose owner or registrant was insured under a personal protection insurance policy or has provided security approved by the secretary of state under subsection (4) of section 3101.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3112 Payment of personal protection insurance benefits**

Sec. 3112. Personal protection insurance benefits are payable to or for the benefit of an injured person or, in case of his death, to or for the benefit of his dependents. Payment by an insurer in good faith of personal protection insurance benefits, to or for the benefit of a person who it believes is entitled to the benefits, discharges the insurer's liability to the extent of the payments unless the insurer has been notified in writing of the claim of some other person. If there is doubt about the proper person to receive the benefits or the proper apportionment among the persons entitled thereto, the insurer, the claimant or any other interested person may apply to the circuit court for an appropriate order. The court may designate the payees and make an equitable apportionment, taking into account the relationship of the payees to the injured person and other factors as the court considers appropriate. In the absence of a court order directing otherwise the insurer may pay:

(a) To the dependents of the injured person, the personal protection insurance benefits accrued before his death without appointment of an administrator or executor.

(b) To the surviving spouse, the personal protection insurance benefits due any dependent children living with the spouse.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3113 Exemptions from payment**

Sec. 3113. A person is not entitled to be paid personal protection insurance benefits for accidental bodily injury if at the time of the accident any of the following circumstances existed:

(a) The person was using a motor vehicle or motorcycle which he or she had taken unlawfully, unless the person reasonably believed that he or she was entitled to take and use the vehicle.

(b) The person was the owner or registrant of a motor vehicle or motorcycle involved in the accident with respect to which the security required by section 3101 or 3103 was not in effect.

(c) The person was not a resident of this state, was an occupant of a motor vehicle or motorcycle not registered in this state, and was not insured by an insurer which has filed a certification in compliance with section 3163.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1986, Act 93, Eff. July 8, 1986.

#### **Section 500.3114 Beneficiaries**

Sec. 3114. (1) Except as provided in subsections (2), (3), and (5), a personal protection insurance policy described in section 3101(1) applies to accidental bodily injury to the person named in the policy, the person's spouse, and a relative of either domiciled in the same household, if the injury arises from a motor vehicle accident. A personal injury insurance policy described in section 3103(2) applies to accidental bodily injury to the person named in the policy, the person's spouse, and a relative of either domiciled in the same household, if the injury arises from a motorcycle accident. When personal protection insurance benefits or personal injury benefits described in section 3103(2) are payable to or for the benefit of an injured person under his or her own policy and

would also be payable under the policy of his or her spouse, relative, or relative's spouse, the injured person's insurer shall pay all of the benefits and shall not be entitled to recoupment from the other insurer.

(2) A person suffering accidental bodily injury while an operator or a passenger of a motor vehicle operated in the business of transporting passengers shall receive the personal protection insurance benefits to which the person is entitled from the insurer of the motor vehicle. This subsection shall not apply to a passenger in the following, unless that passenger is not entitled to personal protection insurance benefits under any other policy:

- (a) A school bus, as defined by the department of education, providing transportation not prohibited by law.
- (b) A bus operated by a common carrier of passengers certified by the public service commission.
- (c) A bus operating under a government sponsored transportation program.
- (d) A bus operated by or providing service to a nonprofit organization.
- (e) A taxicab insured as prescribed in section 3101 or 3102.
- (f) A bus operated by a canoe or other watercraft, bicycle, or horse livery used only to transport passengers to or from a destination point.

(3) An employee, his or her spouse, or a relative of either domiciled in the same household, who suffers accidental bodily injury while an occupant of a motor vehicle owned or registered by the employer, shall receive personal protection insurance benefits to which the employee is entitled from the insurer of the furnished vehicle.

(4) Except as provided in subsections (1) to (3), a person suffering accidental bodily injury arising from a motor vehicle accident while an occupant of a motor vehicle shall claim personal protection insurance benefits from insurers in the following order of priority:

- (a) The insurer of the owner or registrant of the vehicle occupied.
- (b) The insurer of the operator of the vehicle occupied.

(5) A person suffering accidental bodily injury arising from a motor vehicle accident which shows evidence of the involvement of a motor vehicle while an operator or passenger of a motorcycle shall claim personal protection insurance benefits from insurers in the following order of priority:

- (a) The insurer of the owner or registrant of the motor vehicle involved in the accident.
- (b) The insurer of the operator of the motor vehicle involved in the accident.
- (c) The motor vehicle insurer of the operator of the motorcycle involved in the accident.
- (d) The motor vehicle insurer of the owner or registrant of the motorcycle involved in the accident.

(6) If 2 or more insurers are in the same order of priority to provide personal protection insurance benefits under subsection (5), an insurer paying benefits due is entitled to partial recoupment from the other insurers in the same order of priority, together with a reasonable amount of partial recoupment of the expense of processing the claim, in order to accomplish equitable distribution of the loss among all of the insurers.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1975, Act 137, Imd. Eff. July 3, 1975;--Am. 1976, Act 356, Imd. Eff. Dec. 21, 1976;--Am. 1977, Act 53, Imd. Eff. July 5, 1977;--Am. 1980, Act 445, Imd. Eff. Jan. 15, 1981;--Am. 1984, Act 372, Imd. Eff. Dec. 27, 1984.

#### **Section 500.3115 Priority of claims: accidental bodily injury**

Sec. 3115. (1) Except as provided in subsection (1) of section 3114, a person suffering accidental bodily injury while not an occupant of a motor vehicle shall claim personal protection insurance benefits from insurers in the following order of priority:

(a) Insurers of owners or registrants of motor vehicles involved in the accident.

(b) Insurers of operators of motor vehicles involved in the accident.

(2) When 2 or more insurers are in the same order of priority to provide personal protection insurance benefits an insurer paying benefits due is entitled to partial recoupment from the other insurers in the same order of priority, together with a reasonable amount of partial recoupment of the expense of processing the claim, in order to accomplish equitable distribution of the loss among such insurers.

(3) A limit upon the amount of personal protection insurance benefits available because of accidental bodily injury to 1 person arising from 1 motor vehicle accident shall be determined without regard to the number of policies applicable to the accident.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

Note: Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.

#### **Section 500.3116 Indemnification of personal protection insurers**

Sec. 3116. (1) A subtraction from personal protection insurance benefits shall not be made because of the value of a claim in tort based on the same accidental bodily injury.

(2) A subtraction from or reimbursement for personal protection insurance benefits paid or payable under this chapter shall be made only if recovery is realized upon a tort claim arising from an accident occurring outside this state, a tort claim brought within this state against the owner or operator of a motor vehicle with respect to which the security required by section 3101 (3) and (4) was not in effect, or a tort claim brought within this state based on intentionally caused harm to persons or property, and shall be made only to the extent that the recovery realized by the claimant is for damages for which the claimant has received or would otherwise be entitled to receive personal protection insurance benefits. A subtraction shall be made only to the extent of the recovery, exclusive of reasonable attorneys' fees and other reasonable expenses incurred in effecting the recovery. If personal protection insurance benefits have already been received, the claimant shall repay to the insurers out of the recovery a sum equal to the benefits received, but not more than the recovery exclusive of reasonable attorneys' fees and other reasonable expenses incurred in effecting the recovery. The insurer shall have a lien on the recovery to this extent. A recovery by an injured person or his or her estate for loss suffered by the person shall not be subtracted in calculating benefits due a dependent after the death and a recovery by a dependent for loss suffered by the dependent after the death shall not be subtracted in calculating benefits due the injured person.

(3) A personal protection insurer with a right of reimbursement under subsection (1), if suffering loss from inability to collect reimbursement out of a payment received by a claimant upon a tort claim is entitled to indemnity from a person who, with notice of the insurer's interest, made the payment to the claimant without making the claimant and the insurer joint payees as their interests may appear or without obtaining the insurer's consent to a different method of payment.

(4) A subtraction or reimbursement shall not be due the claimant's insurer from that portion of any recovery to the extent that recovery is realized for noneconomic loss as provided in section 3135(1) and (2)(b) or for allowable expenses, work loss, and survivor's loss as defined in sections 3107 to 3110 in excess of the amount recovered by the claimant from his or her insurer.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1978, Act 461, Imd. Eff. Oct. 16, 1978.

Note - On November 8, 1994 Michigan voters rejected Measure C on the ballot, thus preventing P.A. 1993, No. 143 (which amended the above section) from becoming operational. The original effective date of P.A. 1993, No. 143 was April 1, 1994. The enactment was suspended before becoming effective when enough signatures were gathered and filed with the Michigan Department of State to place the measure on the November ballot.

#### **Section 500.3121 Property protection benefits**

Sec. 3121. (1) Under property protection insurance an insurer is liable to pay benefits for accidental damage to tangible property arising out of the ownership, operation, maintenance, or use of a motor vehicle as a motor vehicle subject to the provisions of this section and sections 3123, 3125, and 3127. However, accidental damage to tangible property does not include accidental damage to tangible property, other than the insured motor vehicle, that occurs within the course of a business of repairing, servicing, or otherwise maintaining motor vehicles.

(2) Property protection insurance benefits are due under the conditions stated in this chapter without regard to fault.

(3) Damage to tangible property consists of physical injury to or destruction of the property and loss of use of the property so injured or destroyed.

(4) Damage to tangible property is accidental, as to a person claiming property protection insurance benefits, unless it is suffered or caused intentionally by the claimant. Even though a person knows that damage to tangible property is substantially certain to be caused by his or her act or omission, he or she does not cause or suffer such damage intentionally if he or she acts or refrains from acting for the purpose of averting injury to any person, including himself or herself, or for the purpose of averting damage to tangible property.

(5) Property protection insurance benefits consist of the lesser of reasonable repair costs or replacement costs less depreciation and, if applicable, the value of loss of use. However, property protection insurance benefits paid under 1 policy for damage to all tangible property arising from 1 accident shall not exceed \$1,000,000.00.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1993, Act 290, Imd. Eff. Dec. 28, 1993.

#### **Section 500.3123 Exclusions**

Sec. 3123. (1) Damage to the following kinds of property is excluded from property protection insurance benefits:

(a) Vehicles and their contents, including trailers, operated or designed for operation upon a public highway by power other than muscular power, unless the vehicle is parked in a manner as not to cause unreasonable risk of the damage which occurred.

(b) Property owned by a person named in a property protection insurance policy, the person's spouse or a relative of either domiciled in the same household, if the person named, the person's spouse, or the relative was the owner, registrant, or operator of a vehicle involved in the motor vehicle accident out of which the property damage arose.

(2) Property protection insurance benefits are not payable for property damage arising from motor vehicle accidents occurring outside the state.

(3) Property protection insurance benefits are not payable for property damage to utility transmission lines, wires, or cables arising from the failure of a municipality, utility company, or cable television company to comply with the requirements of section 16 of Act No. 368 of the Public Acts of 1925, being section 247.186 of the Michigan Compiled Laws.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1978, Act 65, Imd. Eff. Mar. 14, 1978.

#### **Section 500.3125 Priority of claims: accidental property damage**

Sec. 3125. A person suffering accidental property damage shall claim property protection insurance benefits from insurers in the following order of priority: insurers of owners or registrants of vehicles involved in the accident; and insurers of operators of vehicles involved in the accident.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3127 Indemnification of property insurers**

Sec. 3127. The provisions for distribution of loss and for reimbursement and indemnification among personal protection insurers as set forth in subsection (2) of section 3115 and in section 3116 also applies to property protection insurers.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3131 Residual liability coverage**

Sec. 3131. (1) Residual liability insurance shall cover bodily injury and property damage which occurs within the United States, its territories and possessions, or in Canada. This insurance shall afford coverage equivalent to that required as evidence of automobile liability insurance under the financial responsibility laws of the place in which the injury or damage occurs. In this state this insurance shall afford coverage for automobile liability retained by section 3135.

(2) This section shall not require coverage in this state other than that required by section 3009(1). This section shall apply to all insurance contracts in force as of October 1, 1973, or entered into after that date.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1978, Act 460, Imd. Eff. Oct. 16, 1978.

#### **Section 500.3135 Tort liability**

Sec. 3135. (1) A person remains subject to tort liability for noneconomic loss caused by his or her ownership, maintenance, or use of a motor vehicle only if the injured person has suffered death, serious impairment of body function, or permanent serious disfigurement.

(2) For a cause of action for damages pursuant to subsection (1) filed on or after 120 days after the effective date of this subsection, all of the following apply:

(a) The issues of whether an injured person has suffered serious impairment of body function or permanent serious disfigurement are questions of law for the court if the court finds either of the following:

(i) There is no factual dispute concerning the nature and extent of the person's injuries.

(ii) There is a factual dispute concerning the nature and extent of the person's injuries, but the dispute is not material to the determination as to whether the person has suffered a serious impairment of body function or permanent serious disfigurement. However, for a closed-head injury, a question of fact for the jury is created if a licensed allopathic or osteopathic physician who regularly diagnoses or treats closed-head injuries testifies under oath that there may be a serious neurological injury.

(b) Damages shall be assessed on the basis of comparative fault, except that damages shall not be assessed in favor of a party who is more than 50% at fault.

(c) Damages shall not be assessed in favor of a party who was operating his or her own vehicle at the time the injury occurred and did not have in effect for that motor vehicle the security required by section 3101 at the time the injury occurred.

(3) Notwithstanding any other provision of law, tort liability arising from the ownership, maintenance, or use within this state of a motor vehicle with respect to which the security required by section 3101 was in effect is abolished except as to:

(a) Intentionally caused harm to persons or property. Even though a person knows that harm to persons or property is substantially certain to be caused by his or her act or omission, the person does not cause or suffer that harm intentionally if he or she acts or refrains from acting for the purpose of averting injury to any person, including himself or herself, or for the purpose of averting damage to tangible property.

(b) Damages for noneconomic loss as provided and limited in subsections (1) and (2).

(c) Damages for allowable expenses, work loss, and survivor's loss as defined in sections 3107 to 3110 in excess of the daily, monthly, and 3-year limitations contained in those sections. The party liable for damages is entitled to an exemption reducing his or her liability by the amount of taxes that would have been payable on account of income the injured person would have received if he or she had not been injured.

(d) Damages up to \$500.00 to motor vehicles, to the extent that the damages are not covered by insurance. An action for damages pursuant to this subdivision shall be conducted in compliance with subsection (4).

(4) In an action for damages pursuant to subsection (3)(d):

(a) Damages shall be assessed on the basis of comparative fault, except that damages shall not be assessed in favor of a party who is more than 50% at fault.

(b) Liability shall not be a component of residual liability, as prescribed in section 3131, for which maintenance of security is required by this act.

(5) Actions under subsection (3)(d) shall be commenced, whenever legally possible, in the small claims division of the district court or the municipal court. If the defendant or plaintiff removes the action to a higher court and does not prevail, the judge may assess costs.

(6) A decision of a court made pursuant to subsection (3)(d) is not res judicata in any proceeding to determine any other liability arising from the same circumstances as gave rise to the action brought pursuant to subsection (3)(d).

(7) As used in this section, "serious impairment of body function" means an objectively manifested impairment of an important body function that affects the person's general ability to lead his or her normal life.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1979, Act 145, Imd. Eff. Nov. 13, 1979;--Am. 1979, Act 147, Imd. Eff. Nov. 13, 1979;--Am. 1995, Act 222, Eff. Mar. 28, 1996.

Note: Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.

#### **Section 500.3141 Notice of accident**

Sec. 3141. An insurer may require written notice to be given as soon as practicable after an accident involving a motor vehicle with respect to which the policy affords the security required by this chapter.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3142 Overdue personal protection benefits**

Sec. 3142. (1) Personal protection insurance benefits are payable as loss accrues.

(2) Personal protection insurance benefits are overdue if not paid within 30 days after an insurer receives reasonable proof of the fact and of the amount of loss sustained. If reasonable proof is not supplied as to the entire claim, the amount supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer. Any part of the remainder of the claim that is later supported by reasonable proof is overdue if not paid within 30 days after the proof is received by the insurer. For the purpose of calculating the extent to which benefits are overdue, payment shall be treated as made on the date a draft or other valid instrument was placed in the United States mail in a properly addressed, postpaid envelope, or, if not so posted, on the date of delivery.

(3) An overdue payment bears simple interest at the rate of 12% per annum.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

Note: Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.

#### **Section 500.3143 Assignment of benefits**

Sec. 3143. An agreement for assignment of a right to benefits payable in the future is void.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3145 Limitation of actions: recovery of benefits**

Sec. 3145. (1) An action for recovery of personal protection insurance benefits payable under this chapter for accidental bodily injury may not be commenced later than 1 year after the date of the accident causing the injury unless written notice of injury as provided herein has been given to the insurer within 1 year after the accident or unless the insurer has previously made a payment of personal protection insurance benefits for the injury. If the notice has been given or a payment has been made, the action may be commenced at any time within 1 year after the most recent allowable expense, work loss or survivor's loss has been incurred. However, the claimant may not recover benefits for any portion of the loss incurred more than 1 year before the date on which the

action was commenced. The notice of injury required by this subsection may be given to the insurer or any of its authorized agents by a person claiming to be entitled to benefits therefor, or by someone in his behalf. The notice shall give the name and address of the claimant and indicate in ordinary language the name of the person injured and the time, place and nature of his injury.

(2) An action for recovery of property protection insurance benefits shall not be commenced later than 1 year after the accident.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

Note: Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.

#### **Section 500.3146 Limitation of actions: indemnity**

Sec. 3146. An action by an insurer to enforce its rights of recovery or indemnity under section 3116 may not be commenced later than 1 year after payment has been received by a claimant upon a tort claim with respect to which the insurer has a right of reimbursement or recovery under section 3116.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3148 Attorneys' fees**

Sec. 3148. (1) An attorney is entitled to a reasonable fee for advising and representing a claimant in an action for personal or property protection insurance benefits which are overdue. The attorney's fee shall be a charge against the insurer in addition to the benefits recovered, if the court finds that the insurer unreasonably refused to pay the claim or unreasonably delayed in making proper payment.

(2) An insurer may be allowed by a court an award of a reasonable sum against a claimant as an attorney's fee for the insurer's attorney in defense against a claim that was in some respect fraudulent or so excessive as to have no reasonable foundation. To the extent that personal or property protection insurance benefits are then due or thereafter come due to the claimant because of loss resulting from the injury on which the claim is based, such a fee may be treated as an offset against such benefits; also, judgment may be entered against the claimant for any amount of a fee awarded against him and not offset in this way or otherwise paid.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3151 Medical examinations**

Sec. 3151. When the mental or physical condition of a person is material to a claim that has been or may be made for past or future personal protection insurance benefits, the person shall submit to mental or physical examination by physicians. A personal protection insurer may include reasonable provisions in a personal protection insurance policy for mental and physical examination of persons claiming personal protection insurance benefits.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3152 Reports of medical examinations**

Sec. 3152. If requested by a person examined, a party causing an examination to be made shall deliver to him a copy of every written report concerning the examination rendered by an examining physician, at least 1 of which reports shall set out his findings and conclusions in detail. After such request and delivery, the party causing the examination to be made is entitled upon request to receive from the person examined every written report available to him or his representative concerning any examination relevant to the claim, previously or thereafter made, of the same mental or physical condition, and the names and addresses of physicians and medical care facilities rendering diagnoses or treatment in regard to the injury or to a relevant past injury, and shall authorize the insurer to inspect and copy records of physicians, hospitals, clinics or other medical facilities relevant to the claim. By requesting and obtaining a report of the examination so ordered or by taking the deposition of the examiner, the person examined waives any privilege he may have, in relation to the claim for benefits, regarding the testimony of every other person who has examined or may thereafter examine him in respect of the same mental or physical condition.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3153 Refusal to submit to medical examination**



Sec. 3153. A court may make such orders in regard to the refusal to comply with sections 3151 and 3152 as are just, except that an order shall not be entered directing the arrest of a person for disobeying an order to submit to a physical or mental examination. The orders that may be made in regard to such a refusal include, but are not limited to:

(a) An order that the mental or physical condition of the disobedient person shall be taken to be established for the purposes of the claim in accordance with the contention of the party obtaining the order.

(b) An order refusing to allow the disobedient person to support or oppose designated claims or defenses, or prohibiting him from introducing evidence of mental or physical condition.

(c) An order rendering judgment by default against the disobedient person as to his entire claim or a designated part of it.

(d) An order requiring the disobedient person to reimburse the insurer for reasonable attorneys' fees and expenses incurred in defense against the claim.

(e) An order requiring delivery of a report, in conformity with section 3152, on such terms as are just, and if a physician fails or refuses to make the report a court may exclude his testimony if offered at trial.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3157 Medical services charges**

Sec. 3157: A physician, hospital, clinic or other person or institution lawfully rendering treatment to an injured person for an accidental bodily injury covered by personal protection insurance, and a person or institution providing rehabilitative occupational training following the injury, may charge a reasonable amount for the products, services and accommodations rendered. The charge shall not exceed the amount the person or institution customarily charges for like products, services and accommodations in cases not involving insurance.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

Note: Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.

#### **Section 500.3158 Record of medical treatment; earnings statement**

Sec. 3158. (1) An employer, when a request is made by a personal protection insurer against whom a claim has been made, shall furnish forthwith, in a form approved by the commissioner of insurance, a sworn statement of the earnings since the time of the accidental bodily injury and for a reasonable period before the injury, of the person upon whose injury the claim is based.

(2) A physician, hospital, clinic or other medical institution providing, before or after an accidental bodily injury upon which a claim for personal protection insurance benefits is based, any product, service or accommodation in relation to that or any other injury, or in relation to a condition claimed to be connected with that or any other injury, if requested to do so by the insurer against whom the claim has been made, (a) shall furnish forthwith a written report of the history, condition, treatment and dates and costs of treatment of the injured person and (b) shall produce forthwith and permit inspection and copying of its records regarding the history, condition, treatment and dates and costs of treatment.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3159 Order for discovery**

Sec. 3159. In a dispute regarding an insurer's right to discovery of facts about an injured person's earnings or about his history, condition, treatment and dates and costs of treatment, a court may enter an order for the discovery. The order may be made only on motion for good cause shown and upon notice to all persons having an interest, and shall specify the time, place, manner, conditions and scope of the discovery. A court, in order to protect against annoyance, embarrassment or oppression, as justice requires, may enter an order refusing discovery or specifying conditions of discovery and may order payments of costs and expenses of the proceeding, including reasonable fees for the appearance of attorneys at the proceedings, as justice requires.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3163 Certification**

Sec. 3163. (1) An insurer authorized to transact automobile liability insurance and personal and property protection insurance in this state shall file and maintain a written certification that any accidental bodily injury or property damage occurring in this state arising from the ownership, operation, maintenance or use of a motor vehicle as a motor vehicle by an out-of-state resident who is insured under its automobile liability insurance policies, shall be subject to the personal and property protection insurance system set forth in this act.

(2) A nonadmitted insurer may voluntarily file the certification described in subsection (1).

(3) When a certification filed under subsections (1) or (2) applies to accidental bodily injury or property damage, the insurer and its insureds with respect to that injury or damage have the rights and immunities under this act for personal and property protection insureds, and claimants have the rights and benefits of personal and property protection insurance claimants, including the right to receive benefits from the electing insurer as if it were an insurer of personal and property protection insurance applicable to the accidental bodily injury or property damage.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3171 Assigned claims facility**

Sec. 3171. The secretary of state shall organize and maintain an assigned claims facility and plan. A self-insurer and insurer writing insurance as provided by this chapter in this state shall participate in the assigned claims plan. Costs incurred in the operation of the facility and the plan shall be allocated fairly among insurers and self-insurers. The secretary of state shall promulgate rules to implement the facility and plan in accordance with and subject to Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.315 of the Compiled Laws of 1948.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1972, Act 345, Imd. Eff. Jan. 9, 1973.

#### **Section 500.3172 Beneficiaries of assigned claims plan**

Sec. 3172. (1) A person entitled to claim because of accidental bodily injury arising out of the ownership, operation, maintenance, or use of a motor vehicle as a motor vehicle in this state may obtain personal protection insurance benefits through an assigned claims plan if no personal protection insurance is applicable to the injury, no personal protection insurance applicable to the injury can be identified, the personal protection insurance applicable to the injury cannot be ascertained because of a dispute between 2 or more automobile insurers concerning their obligation to provide coverage or the equitable distribution of the loss, or the only identifiable personal protection insurance applicable to the injury is, because of financial inability of 1 or more insurers to fulfill their obligations, inadequate to provide benefits up to the maximum prescribed. In such case unpaid benefits due or coming due are subject to being collected under the assigned claims plan, and the insurer to which the claim is assigned, or the assigned claims facility if the claim is assigned to it, is entitled to reimbursement from the defaulting insurers to the extent of their financial responsibility.

(2) Except as otherwise provided in this subsection, personal protection insurance benefits, including benefits arising from accidents occurring before the effective date of this subsection, payable through an assigned claims plan shall be reduced to the extent that benefits covering the same loss are available from other sources, regardless of the nature or number of benefit sources available and regardless of the nature or form of the benefits, to a person claiming personal protection insurance benefits through the assigned claims plan. This subsection shall only apply when the personal protection insurance benefits are payable through the assigned claims plan because no personal protection insurance is applicable to the injury, no personal protection insurance applicable to the injury can be identified, or the only identifiable personal protection insurance applicable to the injury is, because of financial inability of 1 or more insurers to fulfill their obligations, inadequate to provide benefits up to the maximum prescribed. As used in this subsection "sources" and "benefit sources" do not include the program for medical assistance for the medically indigent under the social welfare act, Act No. 280 of the Public Acts of 1939, being sections 400.1 to 400.121 of the Michigan Compiled Laws, or insurance under the health insurance for the aged act, title XVIII of the social security amendments of 1965.

(3) If the obligation to provide personal protection insurance benefits cannot be ascertained because of a dispute between 2 or more automobile insurers concerning their obligation to provide coverage or the equitable distribution of the loss, and if a method of voluntary payment of benefits cannot be agreed upon among or between the disputing insurers, all of the following shall apply:

(a) The insurers who are parties to the dispute shall, or the claimant may, immediately notify the assigned claims facility of their inability to determine their statutory obligations.

(b) The claim shall be assigned by the assigned claims facility to an insurer which shall immediately provide personal protection insurance benefits to the claimant or claimants entitled to benefits.

(c) An action shall be immediately commenced on behalf of the assigned claims facility by the insurer to whom the claim is assigned in circuit court for the purpose of declaring the rights and duties of any interested party.

(d) The insurer to whom the claim is assigned shall join as parties defendant each insurer disputing either the obligation to provide personal protection insurance benefits or the equitable distribution of the loss among the insurers.

(e) The circuit court shall declare the rights and duties of any interested party whether or not other relief is sought or could be granted.

(f) After hearing the action, the circuit court shall determine the insurer or insurers, if any, obligated to provide the applicable personal protection insurance benefits and the equitable distribution, if any, among the insurers obligated therefor, and shall order reimbursement to the assigned claims facility from the insurer or insurers to the extent of the responsibility as determined by the court. The reimbursement ordered under this subdivision shall include all benefits and costs paid or incurred by the assigned claims facility and all benefits and costs paid or incurred by insurers determined not to be obligated to provide applicable personal protection insurance benefits, including reasonable attorney fees and interest at the rate prescribed in section 3175 as of December 31 of the year preceding the determination of the circuit court.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1972, Act 345, Imd. Eff. Jan. 9, 1973;--Am. 1984, Act 426, Eff. Mar. 29, 1985.

Note: Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.

#### **Section 500.3173 Disqualified persons**

Sec. 3173. A person who because of a limitation or exclusion in sections 3105 to 3116 is disqualified from receiving personal protection insurance benefits under a policy otherwise applying to his accidental bodily injury is also disqualified from receiving benefits under the assigned claims plan.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.

#### **Section 500.3173a Determination of eligibility**

Sec. 3173a. The assigned claims facility shall make an initial determination of the claimant's eligibility for benefits under the assigned claims plan and shall deny an obviously ineligible claim. The claimant shall be notified promptly in writing of the denial and the reasons for the denial.

History: Add. 1984, Act 426, Eff. Mar. 29, 1985.

#### **Section 500.3174 Notice of claim**

Sec. 3174. A person claiming through an assigned claims plan shall notify the facility of his claim within the time that would have been allowed for filing an action for personal protection insurance benefits if identifiable coverage applicable to the claim had been in effect. The facility shall promptly assign the claim in accordance with the plan and notify the claimant of the identity and address of the insurer to which the claim is assigned, or of the facility if the claim is assigned to it. An action by the claimant shall not be commenced more than 30 days after receipt of notice of the assignment or the last date on which the action could have been commenced against an insurer of identifiable coverage applicable to the claim, whichever is later.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1972, Act 345, Imd. Eff. Jan. 9, 1973.

#### **Section 500.3175 Assignment of claims**

Sec. 3175. (1) The assignment of claims shall be made according to rules that assure fair allocation of the burden of assigned claims among insurers doing business in this state on a basis reasonably related to the volume of automobile liability and personal protection insurance they write on motor vehicles or of the number of self-insured motor vehicles. An insurer to whom claims have been assigned shall make prompt payment of loss in accordance with this act and is thereupon entitled to reimbursement by the assigned claims facility for the payments and the established loss adjustment cost, together with an amount determined by use of

the average annual 90-day United States treasury bill yield rate, as reported by the council of economic advisers as of December 31 of the year for which reimbursement is sought, as follows:

- (a) For the calendar year in which claims are paid by the insurer, the amount shall be determined by applying the specified annual yield rate specified in this subsection to 1/2 of the total claims payments and loss adjustment costs.
- (b) For the period from the end of the calendar year in which claims are paid by the insurer to the date payments for the operation of the assigned claims facility and the assigned claims plan are due, the amount will be determined by applying the annual yield rate specified in this subsection to the total claims payments and loss adjustment costs multiplied by a fraction the denominator of which is 365 and the numerator of which is equal to the number of days that have elapsed between the end of the calendar year and the date payments for the operation of the assigned claims facility and the assigned claims plan are due.
- (2) The insurer to whom claims have been assigned shall preserve and enforce rights to indemnity or reimbursement against third parties and account to the assigned claims facility therefor and shall assign such rights to the assigned claims facility upon reimbursement by the assigned claims facility. This section shall not preclude an insurer from entering into reasonable compromises and settlements with third parties against whom rights to indemnity or reimbursement exist. The insurer shall account to the assigned claims facility for such compromises and settlements. The rules promulgated under section 3171 shall include a rule establishing reasonable standards for enforcing rights to indemnity or reimbursement against third parties, including a standard establishing a value for such rights below which actions to preserve and enforce the rights need not be pursued.
- (3) An action to enforce rights to indemnity or reimbursement against a third party shall not be commenced after the later of 2 years after the assignment of the claim to the insurer or 1 year after the date of the last payment to the claimant.

(4) Payments for the operation of the assigned claims facility and plan not paid by the due date shall bear interest at the rate of 20% per annum.

(5) The secretary of state through the facility may enter into a written agreement with the debtor permitting the payment of the judgment or acknowledgment of debt in installments payable to the facility.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1972, Act 345, Imd. Eff. Jan. 9, 1973;--Am. 1984, Act 426, Eff. Mar. 29, 1985.

#### **Section 500.3176 Costs**

Sec. 3176. Reasonable costs incurred in the handling and disposition of assigned claims, including amounts paid pursuant to assessments under section 3171, shall be taken into account in making and regulating rates for automobile liability and personal protection insurance.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1972, Act 345, Imd. Eff. Jan. 9, 1973.

#### **Section 500.3177 Subrogation**

Sec. 3177. (1) An insurer obligated to pay personal protection insurance benefits for accidental bodily injury to a person arising out of the ownership, maintenance, or use of an uninsured motor vehicle as a motor vehicle may recover such benefits paid and appropriate loss adjustment costs incurred from the owner or registrant of the uninsured motor vehicle or from his or her estate. Failure of such a person to make payment within 30 days after judgment is a ground for suspension or revocation of his or her motor vehicle registration and license as defined in section 25 of the Michigan vehicle code, Act No. 300 of the Public Acts of 1949, being section 257.25 of the Michigan Compiled Laws. An uninsured motor vehicle for the purpose of this section is a motor vehicle with respect to which security is required by sections 3101 and 3102 is not in effect at the time of the accident.

(2) The motor vehicle registration and license shall not be suspended or revoked and the motor vehicle registration and license shall be restored if the debtor enters into a written agreement with the secretary of state permitting the payment of the judgment in installments, if the payment of any installments is not in default.

(3) The secretary of state upon receipt of a certified abstract of court record of a judgment or notice from the insurer of an acknowledgment of debt shall notify the owner or registrant of an uninsured vehicle of the provisions of subsection (1) at that person's last recorded address with the secretary of state and inform that person of the right to enter into a written agreement with the secretary of state for the payment of the judgment or debt in installments.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973;--Am. 1984, Act 426, Eff. Mar. 29, 1985.

**Section 500.3179 Applicability of provisions**

Sec. 3179. This act applies to motor vehicle accidents occurring on or after October 1, 1973.

History: Add. 1972, Act 294, Eff. Mar. 30, 1973.



## APPENDIX C

### **500.2110a Premium discount plan.**

#### **Sec. 2110a.**

If uniformly applied to all its insureds, an insurer may establish and maintain a premium discount plan utilizing factors in addition to those permitted by section 2111 for insurance if the plan is consistent with the purposes of this act and reflects reasonably anticipated reductions in losses or expenses. This section does not affect benefits or obligations required under chapter 31. Nothing in this section authorizes an insurer to offer or prohibits an insurer from offering premium discount plans concerning any of the following:

- (a) Health care services, health care providers, or health care facilities.
- (b) Automobile repair providers.
- (c) Materials used in the repair of an automobile.

**History:** Add. 1996, Act 514, Imd. Eff. Jan. 13, 1997

